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Western Show Special—pp. 1
Warehouse stores': new report—pp. 26-61

National
Home Center News

Vol. 9, No. 22 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | October 24, 1983

Tom Wood, president of Wood Bros. in front of one of his three Tucson units, has agreed to sell the company—which his family has run for almost 40 years—to Payless Cashways for an undisclosed amount.

Payless Cashways set to acquire 3-unit, Tucson-based Wood Bros.

TUCSON, Ariz.—For the third time in less than a year, Payless Cashways has expanded through acquisition.

As of Dec. 1, the day after Payless' fiscal year ends, the 118-unit Kansas City, Mo., chain will assume ownership of the three-unit Wood Brothers here, which has been operated by the Wood family since 1946.

Payless, which has been in Tucson since 1947, and currently operates two stores here, said its long-range plans for the market have yet to be determined, but it appears that all five stores will remain open as "Payless Cashways" units.

"We would not have made this acquisition if we were finished expanding in the Tucson market," said Payless president David Stanley.

The transaction was for an undisclosed sum.

Stanley said that Wood Brothers stores per unit sales were "comparable" to the Payless stores in the market. In the 1982 *NHCN* Top 100 chains listing, Wood Brothers placed 96th, with sales of $13 million, or more than $4 million per store, 90% coming from DIY purchases.

The Wood Brothers stores, while being similar to Payless units in product mix and volume, do not exactly conform in size to a typical Payless store that ranges from 24,000 sq. ft. to 30,000 sq. ft., resting on about six to seven acres of land.

The Wood unit on the southeast side of the market is 27,000 sq. ft., with another 30,000 sq. ft. that is split, with half being used for shedding lumber and building materials, and the other half for warehousing. These buildings form a kind of "U" shape around the outside lumberyard, and the complex is situated on nine acres of land.

The second store, located in the southwest part of the city, is 24,000 sq. ft. and, according to Stanley, is more "lumber-oriented" than either the other

(Continued on page 82)

Pay 'N Pak slates 13 warehouses to open by 1985

Targeting Honolulu, San Fran Bay Area

By Brad Altman
West Coast Editor

KENT, Wash.—Pay 'N Pak is leaping into warehouse retailing with its first "Home Improvement Warehouse Outlet" to open in Honolulu next February and a dozen more to saturate the San Francisco Bay Area by 1985.

"It's a big, drastic turnaround," said David J. Heerensperger, Pay 'N Pak's chairman and ceo, of the chain's new retail thrust.

On Oct. 14, Pay 'N Pak opened its 100th store, a 18,-720-sq.-ft. store in Chico, Calif., featuring Pay 'N Pak's traditional mix which concentrates on the electrical, plumbing and heating and lighting categories.

David Heerensperger
chairman, ceo

Pay 'N Pak was one of two chains announcing moves to warehouse formats this month. Homecrafters will open its first two warehouse units by the end of the year. Story, page 2.

While Pay 'N Pak is completing a prototype warehouse at a 56,000-sq.-ft. store near company headquarters in Kent and is debuting its first unit in Hawaii early next year, Heerensperger commented that "all our energy is going into the [San Francisco] Bay Area."

(Continued on page 81)

Michigan Gen'l eyes retail growth but . . .

Will continue Diamond's contractor slant

By Greg Puchalski
NHCN senior editor

DALLAS—Michigan General, which completed the acquisition of 97 Diamond home centers from Diamond International late last month, plans to accelerate retail growth for the chain but to continue its strong emphasis on the contractor, according to John Boudreau, Michigan General president.

He said the company, based here, will seek to boost Diamond's consumer volume to 50% of chain volume from its present 35%. However, he emphasized, that figure will not exceed the 50% level.

Boudreau said his company is "thrilled" with the acquisition, which will permit it to use the stores in a vertical arrangement as a marketing vehicle for its Krestmark line of windows, doors and skylights.

Michigan General paid about $120 million for Diamond: $65 million in cash received from the sale of stock to institutional investors and from borrowings; $5 million in new cumulative preferred stock, and $10 million in common stock and a $40 million note. The stores will operate under the Diamond Lumber name.

The sale was part of Sir James Goldsmith's plan to divest his Diamond International holdings. The proceeds from the sales of the various Diamond businesses are being used in part to pay off the $455 million in debt he accumulated when he bought Diamond last year.

Reached by *NHCN* at Diamond's Boulder, Colo., offices while he was touring its facilities, Boudreau said contractor business will continue to flourish at the chain, with heavy lumber and building materials emphasis remaining.

"We have no intention of becoming another Payless Cashways," he said. "We are familiar with small towns [where many Diamond outlets are situated]. Our Savannah Wholesale operation often is the largest game in town."

Savannah Wholesale is the parent for Michigan General's 81 Allied stores which sell women's and children's clothing in the Southeast. Michigan General, in its retail division, also operates a chain of LFD furniture and accessory outlets in the South.

Evening out retail and contractor sales at Diamond is an immediate goal.

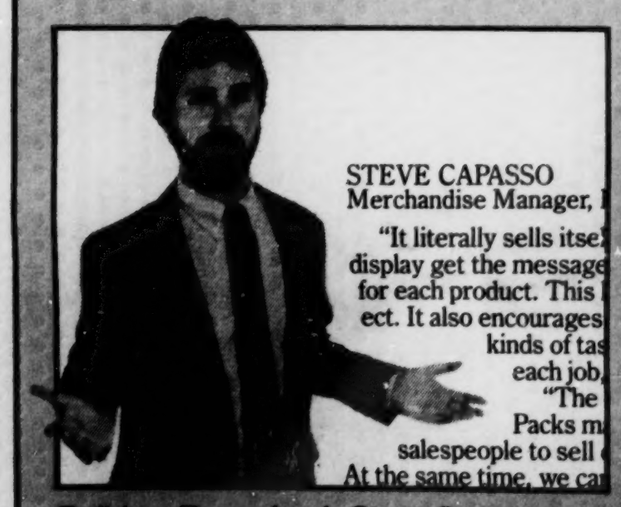
(Continued on page 81)

Home center execs find pitching products in ads to be a mixed blessing

Celebrity renews lost friendship

By John Caulfield
NHCN field editor

NATIONAL REPORT—Their names are not household words, and probably never will be. And there's little chance they'll rival product pitchmen like Joe DiMaggio or Lee Iacocca.



Builders Emporium's Steve Capasso appearing in vendor ad.

But when home center retailers lend their signatures, faces and company reputations to a vendor's trade print advertising, they are bestowed with a degree of industry celebrity, however fleeting.

Home center executives like Home Depot's Bernie Marcus, Forest City's Ed Seymour

(Continued on page 82)

NEWSBREAKS

HOUSE WORKS HALTS TV. House Works has canceled its entire TV advertising schedule for the fourth quarter, according to New Orleans television executives. The action comes on the eve of the opening of the warehouse operation's fifth New Orleans store and could signal a shift in advertising strategy for the W. R. Grace subsidiary.

INSIDE:

HOME CENTER DISTRIBUTION CENTERS: How retailers are handling systems and operations. A special report pp. 63-67
WICKES COS. and its creditors near agreement on reorganization plan ..... page 2
HOMECLUB OPENS DOORS to first two Los Angeles-area warehouse home centers ..... page 3
KITCHEN CABINET SHIPMENTS climbed substantially last month, according to the National Kitchen Cabinet Assn. page 4

NHCNews Briefs

Industry Update

National's offering nets $15 mil.

SANTA ANA, Calif.—National Lumber, the 12-unit chain headquartered in Santa Ana, Calif., completed its initial public offering of 1.5 million shares of common stock, underwritten at a price of $10 per share. The first day of trading, Oct. 3, saw the shares close at $10 ¾ bid, $11 ¼ ask. National is trading over-the-counter under the NTLB ticker symbol.

The offering consisted of one million newly issued shares and 500,000 shares worth $5 million offered by members of National president Mel Jaffee's family. The purpose of the offering is primarily to open new stores in southern California.

Somerville unit tops $3M in Sept.

SOMERVILLE, Mass.—Somerville Lumber reported sales of $3.25 million at its original store here during September, while the newer Westboro, Mass., unit sold $1.25 million of merchandise. The figures represent record sales for each unit.

Somerville officials said the combined September figures of $4.5 million was 48.9% higher than the same month last year. Sales year-to-date by the end of September were running 45.2% higher than the first nine months of 1982. Total 1983 sales are expected to top $46 million, compared with the 1982 figure of $34 million.

Scotty's readies largest unit

ST. PETERSBURG, Fla.—Scotty's has opened its largest store here and is readying an even larger 58,000-sq.-ft. unit across Tampa Bay in Temple Terrace, Fla., but company officials say the large stores do not represent new prototypes for the chain.

The units are unusual for Scotty's in another sense because the company is sharing the two former discount store locations with other retailers in a shopping center format. Only one other Scotty's unit in the 104-store chain is not freestanding, officials said.

The deviations from Scotty's normal under-roof 34,-000-37,000-sq.-ft., freestanding prototype result in part from the chain's occupancy of second-user sites to gain prime locations, according to officials.

Hugh Tuttle, retail operations vice president, explained that those stores occupy as much covered space as they do because Scotty's cannot operate outdoor storage and selling space there.

The largest Scotty's store under roof prior to these new units had been the 48,000-sq.-ft. outlet in Hypoluxo, Fla., Tuttle said.

Scotty's new St. Petersburg store had opening three-day sales of $103,246 from better than 8,400 transactions. It is in a former J. M. Fields location.

Goodbuys opens new prototype

PHILADELPHIA—Mr. Goodbuys is launching a new prototype with the grand opening of its fifth store—the second in this market—set for Oct. 16.

The chain, with outlets in Union, N.J. and Baltimore, will continue to concentrate on high ticket sales generated from a select few departments like kitchen and bath, flooring, ceiling and millwork. But new product lines, like telephones and paint, will be added.

"We want to use it for a draw," Mr. Goodbuys partner Steve Erlbaum said of the new paint department, which carries both a private label and national brand. Some electricals, hardware and plumbing have also been added.

"We're not going to look like a home center," said Erlbaum. "But we want to be able to sell some sundries."

He stressed that the new departments were included almost out of necessity, because certain of the chain's major profit areas, like kitchen and bath, required a basic presence in areas like plumbing to adequately serve customers.

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New Homecrafters units aim for increased retail business

By Greg Puchalski
NHCN senior editor

PELHAM, Ala.—Homecrafters, the 50-store Southeastern chain, will open its first two warehouse units, in Memphis, by the end of the year.

The new stores will be 61,000 sq. ft. and 80,000 sq. ft. in size, carry 35,000 stock keeping units valued at between $1.5 million and $2 million and concentrate on retail customers.

In contrast, the typical Homecrafters does about half its business with contractors and averages only 12,000 sq. ft. in size with up to 20,000 sku's valued at less than $500,000.

The chain, with sales of about $89 million last year, is making this sharp strategic shift because of the high volume potential that existing warehouse operations have exhibited.

For now, only the two initial warehouse stores are planned, however, according to Thomas Hunter, a spokesman for Homecrafter's parent company, Union Camp.

"After the two in Memphis open and we see how things are going, the future can be considered," he said.

Homecrafters officials said that the new stores will feature expanded building materials.

Homecrafters will be entering Memphis the way The Home Depot debuted the industry's first warehouse operation in Atlanta five years ago, taking over space once occupied by J. C. Penney's Treasure Island discount outlets.

In the meantime, Union Camp, a diversified forest products company with sales of $1.5 billion last year, remains ready to sell Homecrafters.

Wickes and creditors nearing agreement on plan to reorganize

By Kenneth Schept
NHCN senior editor

SANTA MONICA, Calif.—Wickes Cos. and its home center industry creditors could reach agreement in principle on a plan of reorganization by the end of the year, according to Jeff Chanin, Wickes senior vice president.

"The negotiations are moving along reasonably well, not quite as fast in terms of movement to date as originally expected," he said. "But it's speeded up in the past few weeks.

"Our view is that there is a high probability of an agreement in principle on a total plan of reorganization before the end of the calendar year."

Confirmation of such a plan would probably take place in the spring he said. In the meantime, confirmation is expected in November on four plans that have already been filed for Gambles Credit, Wickes Credit and Aldens and its subsidiary, America Direct. Also a Howard Bros. plan is expected to be filed within 30 days.

Chanin said that the plans filed so far account for about a quarter of Wickes' debt, which amounted to $1.6 billion when the company filed for Chapter XI protection on April 24, 1982.

The agreement in principle that could come by year-end involves all of the corporation's operating companies.

This joint plan, said Chanin, "will undoubtably involve distribution to various classes of creditors cash and various types of debt instruments and stock."

Such a combination of repayment methods is not unusual in a large bankruptcy and was set forth in the 250-page framework for negotiations that Wickes presented to its creditors last February.

Since then creditor committees have been meeting regularly to hammer out acceptable reorganization plans. While agreement in principle could be reached on the final, joint plan by late December, Chanin noted, "There are still major obstacles." He would not elaborate.

Resale decline pinned on rising interest rates

WASHINGTON—Existing single-family home sales declined for the second consecutive month, by 2.9%, in August, to a seasonally adjusted rate of 2.71 million units, according to the National Assn. of Realtors.

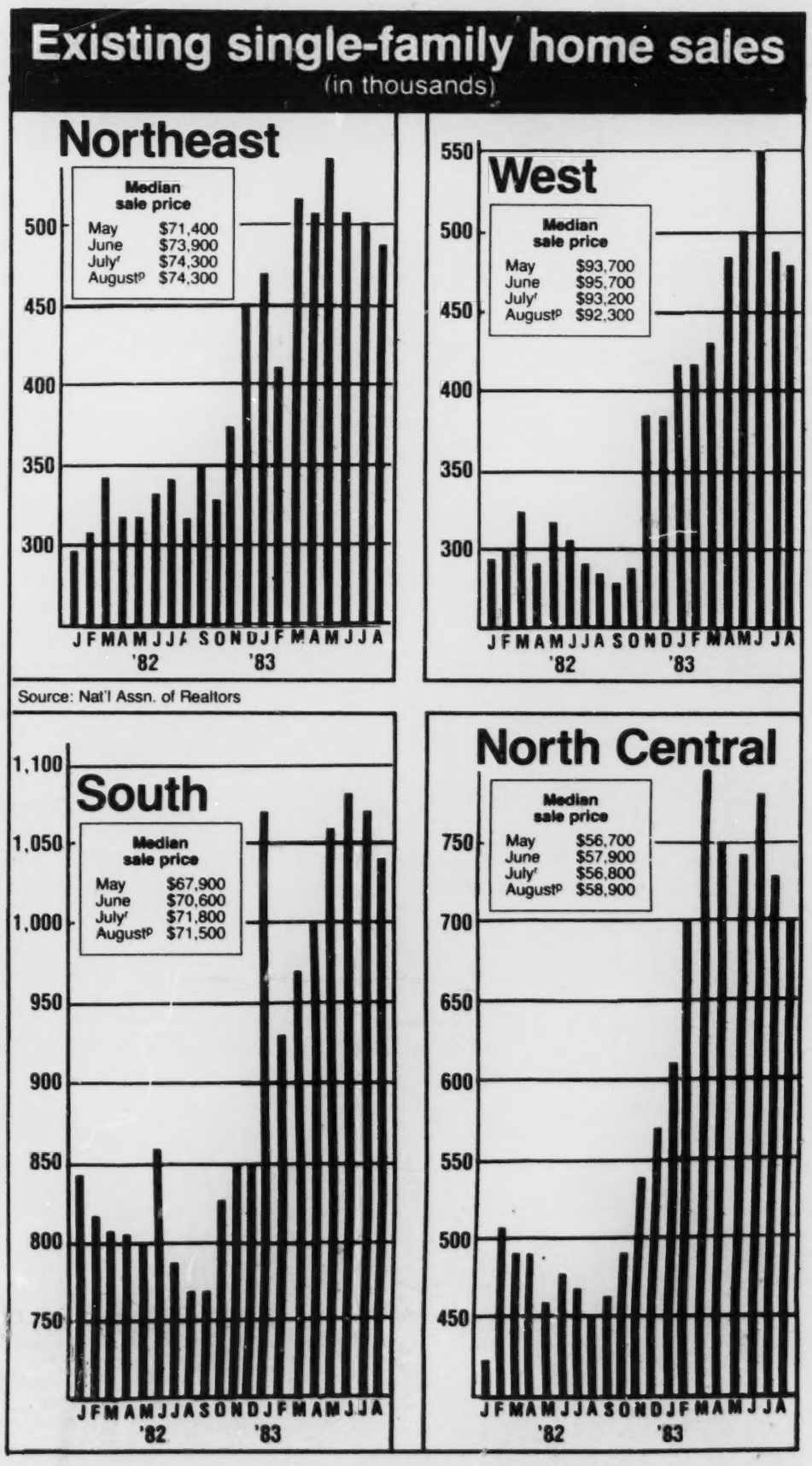
The August figure was the lowest resale rate since March 1983 and a response to "the summer rise of mortgage interest rates into the 13.5%-to-14% range," said Dr. Jack Carlson, the association's chief economist.

Resale activity declined in all regions, falling by 4.1% in the North Central, 2.8% in the South and 2% in the Northeast and the West. As a result, there were more homes on the market, an estimated 2.44 million units in August compared with 2.3 million for July.

In spite of the recent drop in home resales, August's figures are still up 45.7% compared with last year. "Home purchases at below market interest rates still are possible in many instances, for example, through such devices as seller-assisted financing and interest buydowns," explained Dr. Carlson.

Nationwide the median sales price of existing homes in August was $71,900 just $100 higher than the revised July figure and 4.4% higher than in August 1982.

Median sales prices of existing homes had increased in all regions over the last 12 months, with the exception of the West, where the median fell 5.8% to $92,300 in August. In the Northeast, median resale prices increased 14.2% over the past 12 months to $74,800 through August. In the North Central the median was $58,-900, up 5.9%, and in the South the August median was $71,-500, up 4.2% over last year.



Source: Nat'l Assn. of Realtors

Existing home sales were down in all regions for the month of August, the greatest drop being 4.1% in the North Central. The national rate was still 45.7% ahead of August 1982. The nationwide median sales price rose to $71,900, just $100 higher than the revised July price.

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FINANCIAL NEWS

STOCK PRICES

	As of 9/27	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	42¼	47⅜	25⅝	29
Edison Bros. Stores (NYSE) [Handyman, Homer's]	42¾	46¾	25	14
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	15¾	19½	7	—
Forest City (AMEX)	28¼	30⅝	13⅞	49
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	48⅜	50⅜	34⅞	14
Lowe's (NYSE)	24½	32¾	11¾	21
Pay 'N Pak (NYSE)	18½	24	16⅝	18
Payless Cashways (NYSE) [Furrow]	25½	34½	14¾	25
Scotty's (NYSE)	16	21⅛	13⅛	16
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	16	16½	9	—
Standard Brands Paint (NYSE)	23¼	28¾	14⅞	16

Nasdaq national—over-the-counter stocks

	As of 9/27	52-week High	52-week Low	P/E Ratio
Color Tile	15⅜	28	13⅜	—
Hechinger	25¼	38½	19	—
The Home Depot	31	31¾	6⅛	—
Pay 'n Save	25⅞	27⅝	11⅛	—

Over-the-counter stocks

	As of 9/27 Bid	As of 9/27 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	20½	23½	25	8½
Hines Lumber	26	27½	31	14¾
Home Centers of America	13¼	13¾	15½	5
Home Centers of America [units]	42	44	51½	13¼
Scotts Seaboard [Scott's]	5	5½	5	⅝
Wolohan Lumber	7¼	7½	10⅛	4⅛

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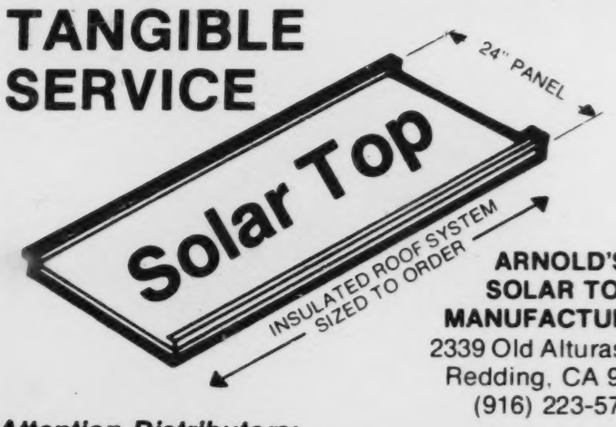

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FUTURES

Two weeks ended Sept. 30

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	182.00	164.60	182.00	175.90	5,107	229.90	161.10
Jan. '84	194.50	178.30	194.50	190.40	2,086	234.00	172.30
March	206.70	190.10	206.60	201.10	1,023	240.50	184.80
May	213.70	199.20	213.00	208.00	280	245.50	195.30
July	220.50	221.00	220.50	216.70	84	252.50	204.00
Sept.	224.50	217.50	224.00	222.90	41	236.00	209.80
Nov.	225.10	219.50	224.00	224.00	2	225.10	219.50

Total Contract Vol. (Through 9/30): 35,578 — **Previous Two Weeks: 27,855**
Total Open Interest (As of 9/29): 8,632 — **Previous Week: 8,815**
Cash Price: $156.80 — **Previous Week: $154.84** — **Year Ago: $127.40**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	195.30	182.50	195.30	188.00	613	226.60	177.20
Jan. '84	198.50	186.30	197.00	191.00	176	223.00	179.70
March	202.80	191.00	202.50	195.30	215	225.00	183.00
May	207.00	194.00	205.00	198.30	22	207.00	187.50
July	208.00	197.00	207.50	201.30	31	208.00	190.50
Sept.	210.00	203.50	210.00	—	1	210.00	203.50

Total Contract Vol. (Through 9/29): 1,223 — **Previous Two Weeks: 765**
Total Open Interest (As of 9/29): 1,058 — **Previous Week: 1,070**
Cash Price: $193.06 — **Previous Week: $186.20** — **Year Ago: $170.52**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Lowe's nears $1B mark

NORTH WILKESBORO, N.C.—Lowe's September sales of $113.4 million, 34% ahead of last year, brought the 235-store chain's volume through the first eight months of its fiscal year to $947 million and all but assured the company of reaching the $1 billion mark before the end of its third quarter, this month.

Lowe's sales for all of last year reached $1.04 billion, the first time the company surpassed that mark.

In the September period, which covers the four weeks ended Sept. 23, sales to builders increased 59% from September 1982 to $55.8 million, while retail volume rose 15% to $57.6 million, officials said. The results boosted builder sales to 49% of the chain's September volume as opposed to only 41% a year ago.

Sales at the 233 Lowe's units opened for a year or more as of Sept. 23 were up 33%

Award solicitation begun

NATIONAL REPORT—The National Retail Merchants Assn. has begun soliciting entries for its 13th annual NORMA Awards presentation, scheduled Jan. 10 at the New York Hilton.

Co-sponsored by the Newspaper Advertising Bureau Inc., the awards are given each year in recognition of distinguished retail advertising in United States and Canadian dailies.

Alfred Eisenpreis, vp for retail marketing at NAB, said stores, advertising agencies and newspapers are eligible to submit entries. Up to six merchandise and institutional ads published as part of a daily or Sunday newspaper between Nov. 1, 1982, and Oct. 31, 1983, can be entered on behalf of each retailer.

Awards will be presented in six categories. Five merchandise award categories, broken down in terms of company sales volume, include $5 million and under, $5 to $25 million, $25 to $50 million, $50 to $100 million and over $100 million. The sixth category will include institutional ads only.

First place winners will receive a gold medal engraved with their company's name.

Tearsheets or other proof of publication should be sent, with an official entry blank, to NORMA Awards, NRMA Sales Promotion division, 100 West 31 St., New York, N.Y. 10001. All entries must be submitted by Nov. 7. There is a $3 entry fee for up to three entries, with a charge of $1 for each additional ad.

Further information can be obtained by writing Alfred Eisenpreis, Vice President, Newspaper Advertising Bureau, 485 Lexington Ave., New York, N.Y., 10017, or by telephoning him at 212-557-1857.

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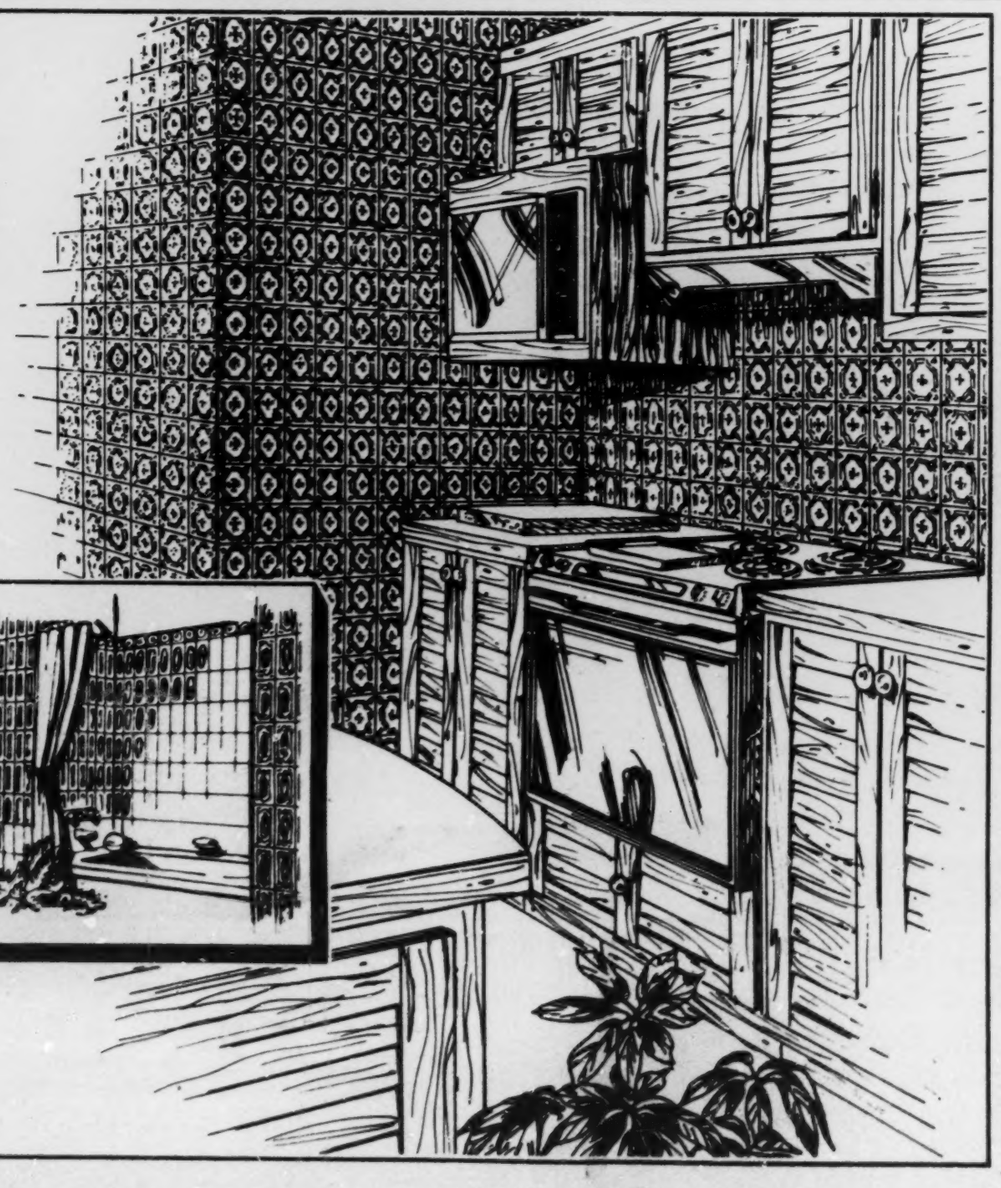

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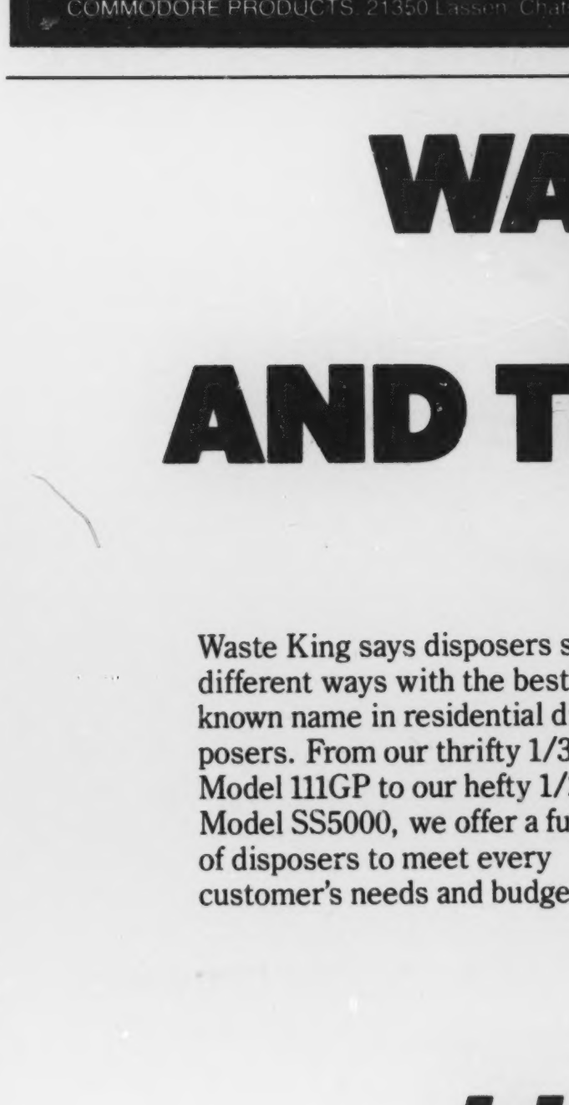

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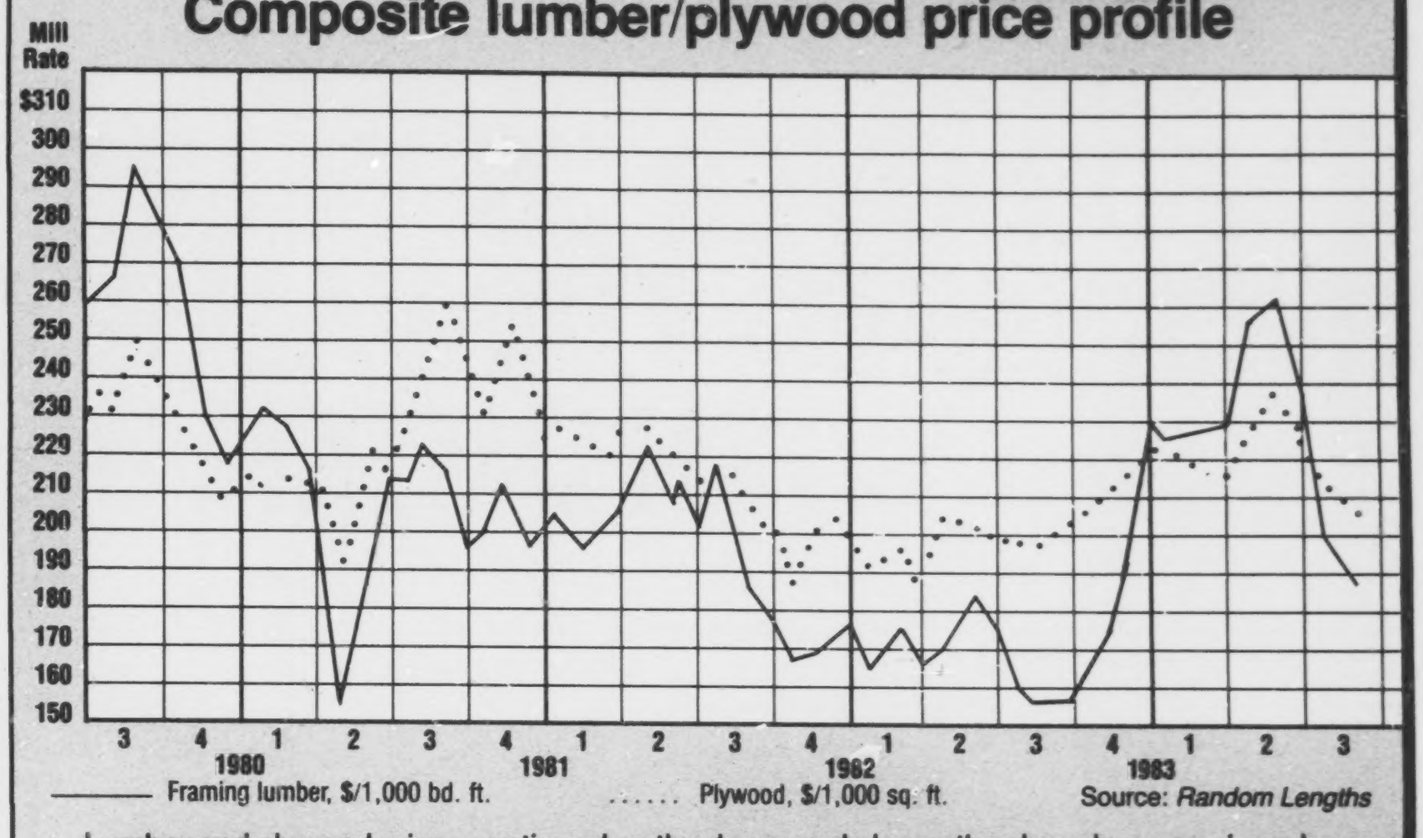
LUMBER REPORT

Composite lumber/plywood price profile



——— Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

Lumber and plywood prices continued on the downward plunge they have been on since June, when the framing lumber composite peaked at $260 per thousand board feet and plywood reached $237 per thousand square feet.

In September the framing lumber composite dropped to $187 per thousand board feet and plywood dipped to $208 per thousand square feet. Despite unexpectedly strong housing start numbers during August, dealers apparently perceived a softer home production situation and continued to buy cautiously.

Some feel that October could bring seasonal lows with, finally, an upswing as mill production slows in anticipation of winter.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

Lumber prices soaring skyward, after bottoming out last month

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—It looks like the lumber market is set for a replay of the past year, although maybe without the extreme price roller coaster.

Schept

A year ago this month lumber prices began their climb back from the valley. Between October 1982 and last June Random Lengths' 2x4 s-p-f stud prices rose from below $120 per thousand board feet to over $250, only to plunge about $100 during the summer.

Now in early October, prices are again on their way upward, having bottomed late last month. For a variety of reasons observers generally think that prices will continue to climb.

One of the main reasons is simply that it is fall. The seasonality of wood production and sales dictates that mills begin to curtail production somewhat as winter approaches.

This production slowdown will occur at a time when the pipeline is lean but demand is strong. Robert Berg, forest product group senior economist for Data Resources, notes that end use demand is 15% to 20% higher than it was a year ago.

And housing is strong, stronger than anticipated with seasonally adjusted starts for August reaching almost two million in a month when most observers expected housing activity to decline.

Bill Knochel, Merrill Lynch Commodities assistant vp, adds that the August numbers were not an aberration caused by seasonally adjusting the actual starts figure. The actual numbers for August were high, he points out, and the month's seasonal multiplier was lower than July's when seasonal adjusted starts totaled 1.74 million compared to August's 1.93 million.

Knochel also notes that lumber futures prices are also strengthening and it is not unusual for the future market to approach and even maintain a substantial premium over cash between now and the end of this year. That relationship could ultimately pull cash prices along, he says.

Fold into this mix one more volatile ingredient and you have the makings for why in the next few months lumber prices should strengthen and possibly soar: labor unrest could shut down British Columbian production.

"Prices usually rebound in October," says Berg. "Throw in a strike and you have a real zinger. It could easily get Western spruce back up to $200.

"We should be seeking prices of $180 to $190 by mid-November. With a strike, the sky's the limit. There's nothing in the pipeline. There's not enough buffer in it for any kind of supply disruption. If we get a disruption, they'll be a violent adjustment."

Given all these factors, then, what will retailers do? Probably play it cautiously. As Phil Rogers, Payless Cashways senior merchandising manager for commodities observed: "The industry has gotten smarter over the past three years. I can not see that if housing starts were two million or 2.5 million that we'd go out and take a major position. The industry has gotten smarter in turns and in what we stock."

It was, of course, the supply-demand imbalance caused by cautious dealer buying and mill overproduction that sent prices spiralling downward last summer. But the market has now adjusted. And if demand continues to be strong through winter, dealers will have to buy.

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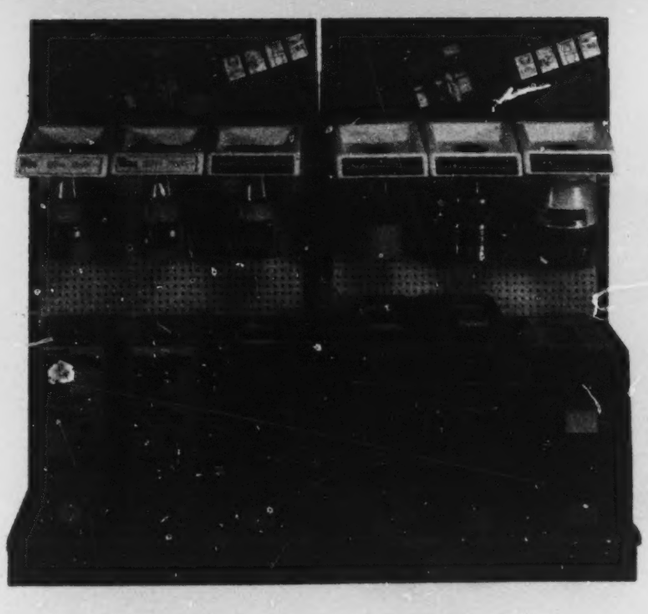

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National Home Center News®

Vol. 9, No. 23 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | November 7, 1983

Ole's president Harvey Knell waits on line to register at last month's first Western Home Center & Building Materials Show in Anaheim. NHCN photos

Robust 3rd qtr. sales spark hope for sustained recovery

Dealers dust off winter promotions, expansion plans

NHCN staff roundup

NATIONAL REPORT—Dealers reported healthy sales gains in the third quarter of 1983, and many are looking to aggressively promote merchandise during the winter months and especially for Christmas, which traditionally has been a "down time" for the industry.

Among the 15 retail companies contacted, optimism reigned supreme about the economy sustaining its recovery at least through the first half of 1984. However, some retailers alluded to several factors—interest rates, the weather and increased competition in their markets—as yet undetermined variables that could dampen their own stores' growth.

Nevertheless, most chains are charging forward into the next quarter with expectations of strong business. And several told *NHCN* of expansion plans that would be acted upon early in 1984, another proof of retailer confidence in the economy.

The dramatic success retailers have had this year cannot be divorced from the expansion in the housing industry. Several contractor-oriented chains enjoyed the best three months in their companies' histories last quarter.

Lanoga Corp., the Seattle, Wash., company that runs three chains nationwide with 126 units, was such a firm, having shown a sales increase in excess of 35% over the same period in 1982. The company's merchandising vp Bill Matthews directly attributed Lanoga's sales gains to the rise in housing starts this year.

At the 104-unit Scotty's, sales were up 26% to $95.4 million for the quarter ending Oct. 1, with earnings rising 53% to $3.2 million. The Winter Haven, Fla., chain's builder sales represented 31.7% of its overall volume, compared with 23.4% for the same period last year.

"The increase in sales has a pretty good chance of continuing through the next calendar year," said senior vp Harold Taylor. "We feel the economy is in good shape, the recovery is really here and interest rates have stabilized so builder sales will continue strong."

In Idaho, Boise Cascade's building materials distribution division—of which its 90-unit retail chain is a part—saw its net sales jump 49% to $216 million for the quarter, and a spokesman for the company pointed specifically to "new residential housing starts" as the

(Continued on page 49)

7,000 turnout for debut

Calif. retailers dominate Western Show attendance

By Brad Altman
West Coast editor

ANAHEIM, Calif.—The first Western Home Center & Building Materials Show held here Oct. 21-23 drew a mixture of positive reactions and vocal disappointments, but managed to convince some skeptics that it has the potential to grow into a major regional trade show.

While some of the 500 exhibitors expressed disappointment at what they characterized as "light booth traffic," and the relatively local, rather than regional, representation of retailers, show organizers said—based on preliminary estimates—that about 7,000 retailers attended the three-day exposition.

A sampling of exhibitors surveyed on the last day of the show found the majority saying they would definitely return next year, although a few said they would not be back, or categorized themselves as "maybes."

Two halls containing 200,000 sq. ft. were rented in the Anaheim Convention Center, but it wasn't all used. Nonetheless, John Berry, director of the trade show division for Vance Publishing Co., the show's sponsor, said that he is mapping plans to utilize 300,000 sq. ft. at next year's show, scheduled for Nov. 16-18, 1984.

According to Berry, nearly half of the retailers attending did not register in advance—some 3,500 to 4,000 persons, he estimated. This indicated that the show was of greatest interest to retailers within "freeway driving distance" of Orange County, and that those who chose to attend may have made the decision at the last minute. At national shows, by contrast, it is not unusual for up to 70% of attendees to register in advance.

Although the show was targeted at retailers throughout the 13 western states, several major western chains such as Pay 'N Pak and Hugh M. Woods did not attend, and only one or two representatives came from a number of retail companies outside California. The show did draw a surprising number of retailers from British Columbia and Alberta, Canada. The show also drew several professional contractors, including Brad Colon of Santa Ana. He com-

(Continued on page 49)

600th store opens in Pa.

Self-manufacturing helps Color Tile bounce back from 3 sluggish years

By David Morgan
NHCN field editor

FORT WORTH—Recovery from the economic recession of the last four years has not come easily to Color Tile.

The national retailer of specialty home improvement products, which opened its 600th store last month in Lancaster, Pa., is only now beginning to see the kind of sales growth viewed on Wall Street as a sign of resurgent health.

The company posted a sales increase of 23% in September, its largest since the recession. Preliminary sales data also pointed to a continued rebound in October. But, while corporate officials remained cautiously optimistic about the new gains, they acknowledged that Color Tile had ended its third consecutive year of sluggish sales just a few months before.

The Fort Worth retailer brought fiscal 1983 to a close on

(Continued on page 50)

NEWSBREAKS

HARDWARE SHOW DEFECTION. At least 24 leading outdoor power equipment makers, including MTD, Murray Ohio, Lawn-Boy and Homelite/Textron, have pledged support for a new International Lawn, Garden and Outdoor Power Expo, slated in Louisville, Ky., July 23-25 next year. Virtually all plan to withdraw from the National Hardware Show.

EXPANSION STRATEGY. Builders Emporium, Irvine, Calif., will open from four to six stores in California in 1984. The new stores will each be around 35,000-sq.-ft. A spring opening is anticipated for the first two outlets.

INSIDE:

PERGAMENT HOME CENTERS is opening the New York Metropolitan Area's first DIY warehouse store ..... Page 3
SHANGHAI'S NO. 1 DEPARTMENT STORE attracts throngs of shoppers despite its notable lack of merchandising flair Page 3
A NEW SURVEY FINDS execs from large home center firms bullish on investing in home center stock ..... Page 4
READY-TO-ASSEMBLE furniture is making significant inroads in the DIY market ..... Pp. 36-38

HomeClub's daily unit sales exceeded $100,000 during its grand opening weekend late last month at its 95,000-sq.ft. warehouse home center in Norwalk (above) and a second 84,000-sq.-ft. unit in Fountain Valley, fueled in part by a membership and discount philosophy. NHCN photo

HomeClub's prices rattle competitors

By Wyatt Kash
NHCN editor

ANAHEIM, Calif.–For dozens of home center retailers, one of the main attractions during last month's three-day Western Home Center and Building Materials Show was actually several miles from the show site here, at the grand openings of two HomeClub discount warehouse stores.

The debut of both units—one in Norwalk, and the second, a converted Woolco store in Fountain Valley, sparked plenty of interest, primarily because of HomeClub's operating philosophy, and the fact that it represents a new step forward in the evolution of warehouse home centers.

Borrowing from the success of the Price Club and other deep-discount, membership-only retail outlets, HomeClub is offering a 25,000 stock-keeping-unit selection to members who pay $15 a year at prices significantly below most southern Califor-

(Continued on page 50)

NHCNews Briefs

Industry Update

Pay 'n Save eyes members whse

SEATTLE—Pay 'n Save has established a new subsidiary that will operate a chain of cash-and-carry membership warehouses, the first of which is slated to open early next year in Salt Lake City.

Calvin Hendricks, vice chairman and cfo of the $1 billion retailer, which also operates 69-unit Ernst Home Centers, described the new venture as a "duplicate" of the San Diego-based Price Club.

To be known as Price Savers Wholesale Club, initial units are slated to open in Seattle and Tacoma, Wash., Honolulu and Anchorage in addition to the first 100,000-sq.-ft. warehouse in Salt Lake.

Hendricks told *NHCN* that the units will not sell lumber, but that about 20% of floor space will be devoted to hardware. Other merchandise will include major appliances, electronics, housewares, tools, sporting goods, seasonal goods and tobacco products. Green goods as well as food items including frozen foods will also be stocked.

The membership policy will be modeled after the Price Club's: Businesses will pay an annual fee to buy goods while "qualified" consumers—typically those who belong to certain credit unions or employees of local, state and Federal Governments—will not be charged to join but will be required to pay a surcharge for goods purchased.

In charge of the subsidiary is Thomas R. Grimm, most recently gmm of Grand Central, the Salt Lake discount chain. Hendricks said each unit will have about 100 to 125 employees.

Typical of the "no frills" warehouse look the units will have cement floors and exposed, open-beam ceilings as well as merchandise stacked on pallets and wide aisles for easy fork lift access.

Evans' lenders delay spin-off

PORTLAND, Ore.—Evans Products' plan to spin off its 343-unit retail group into a new publicly held corporation has been delayed by Evans' lenders.

The release of preliminary prospectuses has been postponed because Evans is "bogged down in negotiations regarding the consent" of Evans' 22 secured lenders, said Gerald A. Parsons, Evans' vp-corporate relations.

The lenders must agree to Evans' plan to sell assets. Evans has "made some progress" in negotiations, Parsons said, but no new timetable pertaining to the release of the prospectuses has been announced.

The prospectuses are filed with the S.E.C. and contain information on the transaction and public stock offering. When the spin off plan was announced in June, Evans said it would retail at least 20% of the shares of Grossman's Inc., a wholly owned subsidiary created to facilitate the ownership change.

Bowater leases 2 more unit sites

PLANO, Tex.—Bowater Home Centers has signed lease agreements to open a fourth store here and a fifth in North Richland Hills, Tex., by the spring of 1984.

Like its three units operating in Arlington, Richardson and Mesquite, the new Bowater stores will be 70,000 sq. ft. with a 10,000-sq.-ft. outdoor lawn and garden area. They will carry about 30,000 sku's and be manned by 100 employees.

Bowater officials said the chain would be operating a total of eight stores in the Dallas-Fort Worth market by early next year.

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Vol. 9, No. 23 November 7, 1983

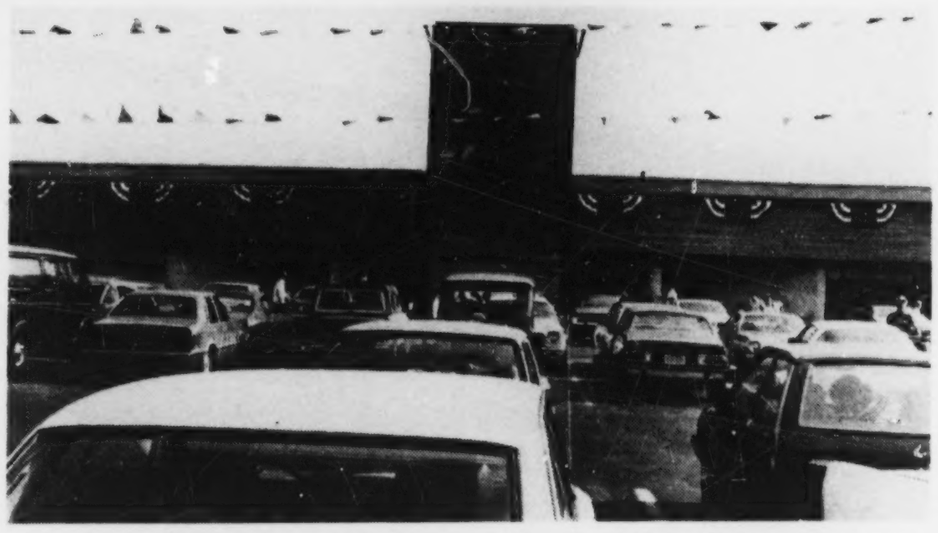
Triangle's 60,000-ft. prototype hits $600,000 in 1st 10 days

WILKES-BARRE, Pa.—Officials at Triangle Building Centers said their new 60,000-sq.-ft. store here generated $600,000 in the 10 days following its Sept. 10 grand opening. They expect approximately $8.4 million in sales during the first year of operation.

The 10-day total is nearly twice that recorded during the same period at the 42,000-sq.-ft. Triangle store in Bethlehem, Pa., which serves as the company benchmark. Sales in Wilkes-Barre have since leveled off to a volume more than 40% greater than that posted by the Bethlehem store.

Triangle apparently expects the new unit to permanently maintain a 40% comparison rate with Bethlehem. The Bethlehem unit, which opened in August 1982, generated a $6 million sales volume in its first year.

Triangle executives plan to open seven more units in the Northeast over the next three years, though markets targeted for the expansion have not been disclosed. The Quakertown, Pa., company, with $52 million in annual sales to contractors and consumers, began its current retail effort three years ago after renovating its first store to include a 22,000-sq.-ft. showroom and 20,000 sku's. The store, located in Quakertown, today generates $5.5 million in annual sales.



Triangle officials expect the 60,000-sq.-ft. Wilkes-Barre, Pa., prototype to generate annual sales of $8.4 million. The unit posted sales of $600,000 during first 10 days following its Sept. 10 grand opening. NHCN photo

Thomas Ostrander, retail division mgr., said the three-store chain's strategy is to open stores on the scale of its Wilkes-Barre unit wherever possible. Meanwhile, the company plans to rely on market studies conducted by Howard L. Green & Assoc., a Birmingham, Mich., consultant, in determining the store size for each market.

The Wilkes-Barre store, which includes a 35,000-sq.-ft. showroom and a 22,000-sq.-ft.

(Continued on page 47)

Housing starts tumble by 13.5% in Sept.

NATIONAL REPORT—As a result of interest rates that have been rising since late spring, housing starts declined sharply in the month of September by 13.5% to a seasonally adjusted annual rate of 1,652,000 units, the slowest pace since April.

New construction of single family homes also fell in September to an adjusted annual rate of 1,009,000 units, 11.6% below revised August figures. And building permits, which gauge the future levels of home building activity, were off 9% during the month to a seasonally adjusted 1,504,000 units, compared with a revised 1,652,000 units in August and 1,782,000 in July.

Housing starts in September were still 45.7% ahead of the rate set a year ago when the industry was in the throes of recession, and the seasonally adjusted rates for single family units and housing permits were 47.7% and 46%, respectively, above same period totals in 1982.

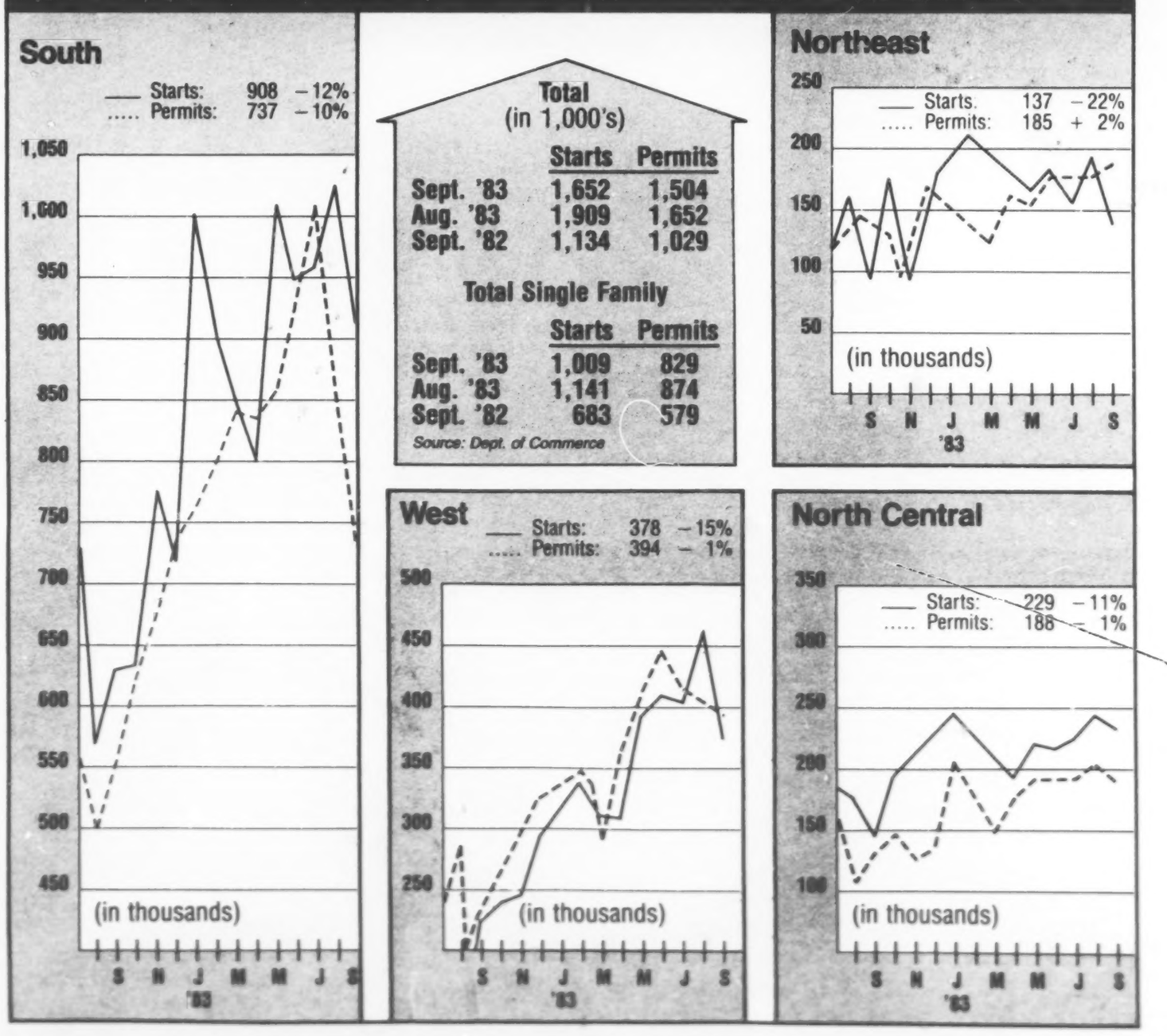
However, analysts and builders have been anticipating a falloff in housing since interest rates rose two percentage points last summer, and some had expected the drop to occur sooner. In May, conventional mortgage rates were quoted by lenders at 12.5%: in September, rates hovered between 13.5% and 14%.

In a nationally televised speech delivered Oct. 19, President Reagan expressed little dismay at housing decline in September, noting that "it wouldn't surprise me if people are waiting because there is—I think there's a great expectation that there's going to be a further drop in the interest rates, and so anyone would be smart to wait for that drop to take place."

However, Commerce Secretary Malcolm Baldridge acknowledged that construction

(Continued on page 4)

September home-building activity



Housing starts in September fell to a seasonally adjusted annual rate of 1.65 million units, a 13.5% decline from August figures that reached the highest levels in the past four and a half years. The decline had been predicted by economists as early as last summer, and some had expected it to occur sooner. All sections of the country had a fall-off in housing starts.

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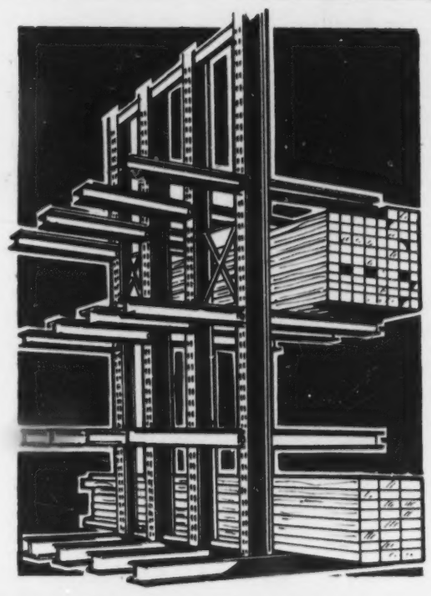

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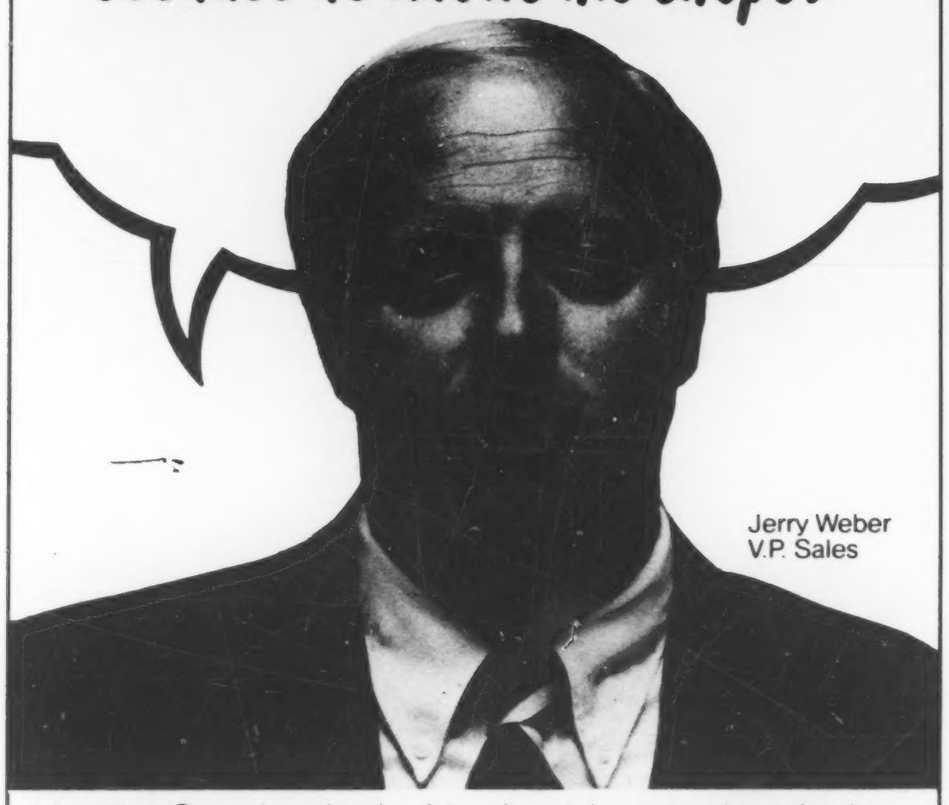

Jerry Weber
V.P. Sales

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Dealers polled on home center securities

Size of company separates home center bulls and bears

NATIONAL REPORT—At least 1 out of every 3 home center retailers, when thinking as investors, would consider investing in a home center stock, a recent survey of the home center industry found.

According to a poll of managers and executives representing 173 home center companies throughout the United States, more than one-third would be interested in purchasing a home center stock if an investment in the stock market were planned. Almost half said they would not be interested.

A strong balance sheet, aggressive merchandising and the ability to adapt to market conditions were the three main elements identified by home center retailers explaining why they would invest in a home center security.

It appeared the bigger the company they belonged to, the more bullish retailers were on home center properties: over half of those polled representing companies with more than 10 stores, or with sales exceeding $10 million, would buy a home center stock. Conversely, the majority of those from smaller firms said they would not be interested in such an investment.

The public company most frequently named for its investment potential by home center retailers was 117-unit Payless Cashways. Lowe's Cos. and The Home Depot ranked second and third most popular stocks.

Scotty's and Hechinger ranked fourth and fifth, respectively, as the chains mentioned both most frequently and first.

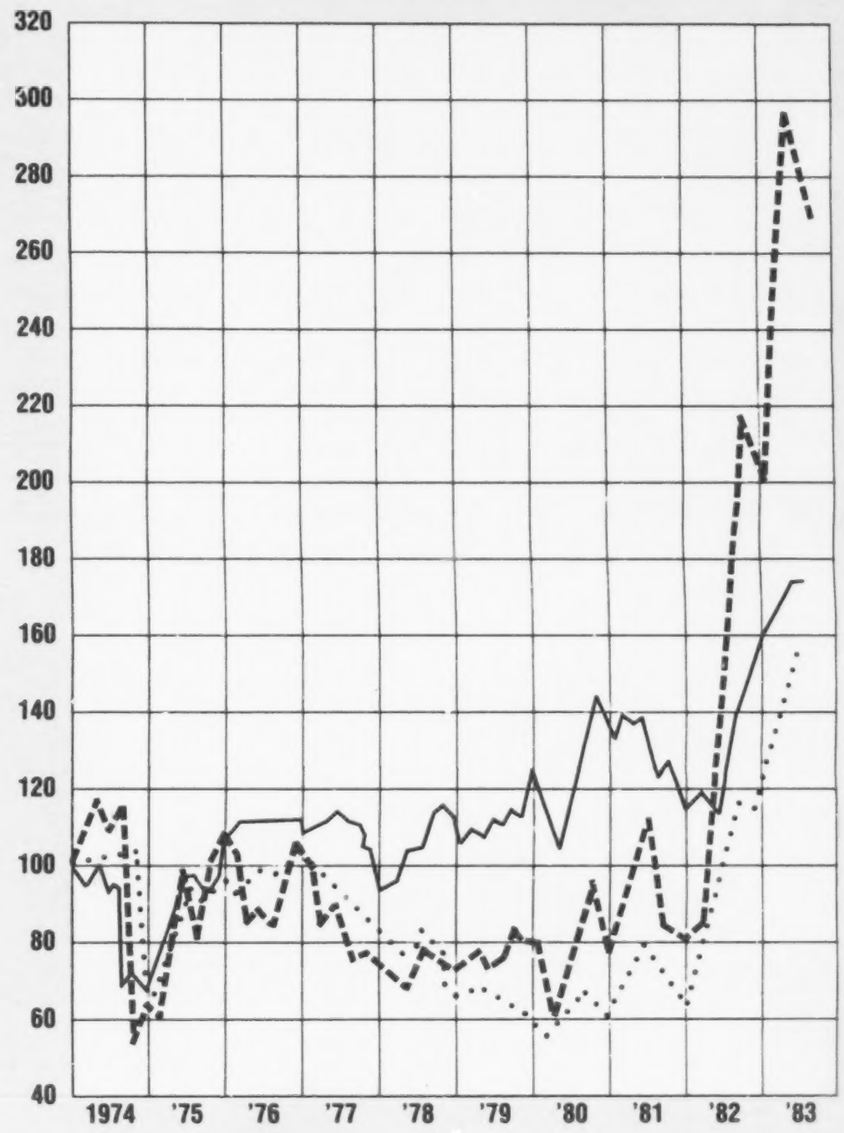
By far, the reason given most often by a respondent considering investment in a home center stock was that he would be investing in his own companies, and was optimistic about its ability to grow.

But in assessing the pros and cons of investment in any home center stock, those polled identified a chain's "profit picture" as a significant element to be evaluated, followed by that chain's "aggressive merchandising strategy."

The potential of a company to change with shifting market conditions was also cited by respondents as a probable factor in their determining a home center stock's value, as was the relative quality of a chain's management and its plans for physical expansion into new locations.

Surprisingly, the opportunity to get in on the ground floor and invest in an initial public offering ranked low among the reasons given for wanting to invest in a home center stock.

Home Center Stock Price Index
(1974 = 100)



Sources: Standard and Poor's, company materials and Smith Barney, Harris Upham; *NHCN* chart

Home Center stock prices, on a composite basis, dipped along with the rest of the stock market during the third quarter, but remained well above the average index of all retail stocks, according to Standard and Poor's indices.

Housing starts

(Continued from page 2)

activity was "under pressure from high interest rates," though demographic data on housing needs and on previous recoveries showed that "there is more room for growth."

With the exception of a slight increase in the seasonally adjusted annual permit rate in the Northeast, every section of the country experienced a falloff in housing starts and permits. This was particularly noticeable in the South.

Michael Sumichrast, the chief economist for the National Assn. of Home Builders, predicted that housing starts in the fourth quarter would run at a seasonally adjusted 1,540,000-unit clip.

Clarifications

In listing ways to prevent employee theft from cash registers, the Security/Shortage Control column (*NHCN*, Sept. 26) erroneously stated, "No sales should be permitted. In the event they are necessary, the employee ringing the transaction should be required to initial the detail tape." The item should have begun, "NO SALES should not be permitted. In the event . . ."

In an article about trademark counterfeiting (*NHCN*, July 18), the name Vise-Grip was inadvertently misspelled. It is a registered trademark for a product produced by Petersen Manufacturing, DeWitt, Nebraska.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	9/30-3rd qtr.	$ 909,480	$ 736,670	23	$18,050	$ 2,490	625
W. R. Grace	9/30-3rd qtr.	1,505,965	1,443,750	4	28,113	44,447	– 37
Home Centers of America	8/28-2nd qtr.	5,364	—	—	–734	—	—
Lowe's	9/23-4 wks.	113,400	84,900	34	—	—	—
Pay 'N Pak	8/31-2nd qtr.	74,545	52,934	41	3,092	1,915	61

*$ in thousands

Source: Company reports

Recapitalization secures power for Hechingers

LANDOVER, Md.—Hechinger shareholders last month approved a recapitalization plan creating a second class of common stock and further securing the voting power in company matters in the hands of the Hechinger family.

Following the approval, Hechinger's board declared a distribution of one share of the newly-created Class A common for each four shares of the existing 14.5 million Class B shares. Both classes of stock are now traded over-the-counter and listed on the NASDAQ National Market System.

The new Class A common carries an initial dividend preference of four cents per share, 40% greater than the dividend on the Class B common. However, Class B common shareholders are entitled to 10 votes per share while Class A holders get only one vote per share.

Class B shares will be convertible to Class A shares on a one-for-one basis. However, Class A stock will not be convertible into Class B common.

Hechinger officials had become fearful of a possible unfriendly takeover through stock acquisition. Although the family had still controlled 56% of the stock prior to the recapitalization, future growth and underwritings could have cut the family's ownership below 50%, according to president John Hechinger.

Two classes of stock introduced by Forest City

CLEVELAND—Forest City Enterprises, operator of 20 home centers in Cleveland, Chicago and Detroit among its businesses, has a new capitalization program which includes two classes of common stock.

Shareholders approved an amendment to the company's articles of incorporation last month that will help Forest City fund future capital needs and keep the Ratner family in control of the company.

The recapitalization converts the nearly four million existing common shares outstanding to Class A common stock. For each existing share, the stockholder will also receive a share of new Class B common.

Following the shareholders' approval of the plan, Forest City's board declared a 14-cent dividend per share on Class A common and an 8¢ dividend per share on Class B common for 1983. The dividends are payable on Feb. 1, 1984, to shareholders of record on Jan. 16, 1984.

Class A shares have the power to elect 25% of the board of directors and in other matters, they have one vote each. Class B shares will elect 75% of the board and maintain 10 votes each on other company matters.

STOCK PRICES

	As of 10/11	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	42½	47⅜	30⅜	29
Edison Bros. Stores (NYSE) [Handyman, Homer's]	41¾	46¾	25½	14
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	13⅝	19½	7	—
Forest City (AMEX)	30½	30⅝	14	44
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	49	50⅜	35¾	14
Lowe's (NYSE)	26	32¾	14¼	23
Michigan General (AMEX) [Diamond Lumber]	11⅜	;2	1⅜	—
Pay 'N Pak (NYSE)	17¾	24	16⅝	18
Payless Cashways (NYSE) [Furrow]	26¾	34½	16¾	26
Scotty's (NYSE)	16¾	21⅛	13¾	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14⅛	16½	9½	—
Standard Brands Paint (NYSE)	24¼	28¾	16	17

Nasdaq—over-the-counter stocks

	As of 10/11	52-week High	52-week Low	P/E Ratio
Color Tile	16	28	13⅝	—
Hechinger	26½	38½	19	—
The Home Depot	29	31¾	6¾	—
Pay 'n Save	25⅞	27⅝	11½	—

Over-the-counter stocks

	As of 10/11 Bid	As of 10/11 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	22½	25	8½
Hines Lumber	28	30	31	15
Home Centers of America	13¼	13½	15½	5
Home Centers of America [units]	42	44	51½	13¼
Scotts Seaboard [Scott's]	3½	4½	5	⅝
Wolohan Lumber	6⅝	6⅞	10⅛	4⅛

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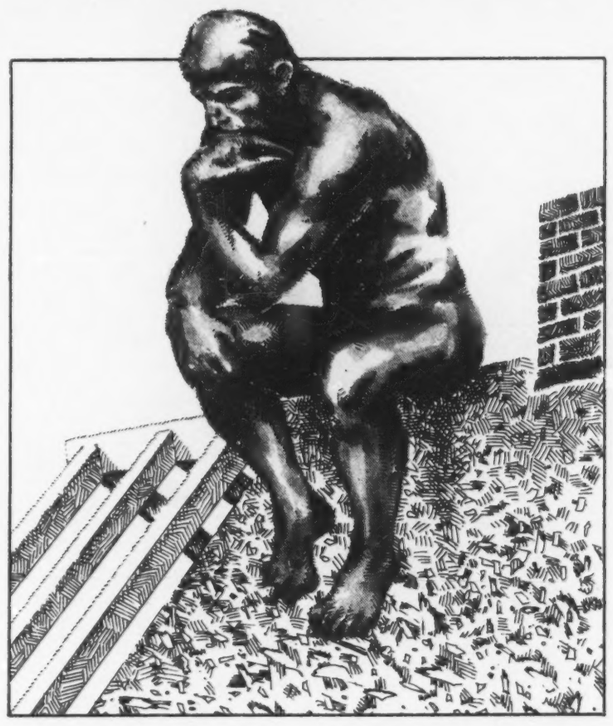

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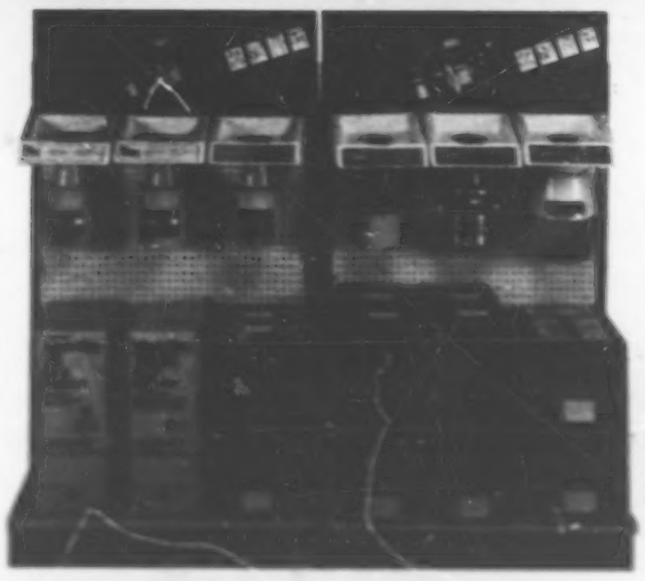

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FUTURES

Two weeks ended Oct. 14, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	185.80	174.60	179.80	183.40	3,713	229.90	161.10
Jan. '84	197.20	186.40	192.90	194.50	2,438	234.00	172.30
March	209.90	198.90	207.60	208.40	1,337	240.50	184.80
May	217.60	207.10	215.50	216.00	364	245.50	195.30
July	224.70	214.30	222.50	223.30	111	252.50	204.00
Sept.	228.90	221.50	226.00	228.90	47	236.00	209.80
Nov.	229.00	223.00	227.50	228.90	6	229.00	219.50

Total Contract Vol. (Through 10/14): 33,113 — Previous Two Weeks: 35,578
Total Open Interest (As of 10/13): 8,016 — Previous Week: 8,263
Cash Price: $167.58 — Previous Week: $162.58 — Year Ago: $140.14

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	199.00	189.50	195.60	195.00	553	226.60	177.20
Jan. '84	200.50	193.20	199.50	198.70	190	223.00	179.70
March	204.30	197.50	202.70	203.80	210	225.00	183.00
May	207.00	201.00	205.50	205.80	28	207.00	187.50
July	210.00	204.00	208.30	207.80	39	210.00	190.50
Sept.	212.50	207.00	211.50	210.80	1	212.50	203.50

Total Contract Vol. (Through 10/13): 1,194 — Previous Two Weeks: 1,223
Total Open Interest (As of 10/13): 1,021 — Previous Week: 1,062
Cash Price: $198.94 — Previous Week: $195.02 — Year Ago: $185.22

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Oct. 13.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Hal's appoints new pres.

(Continued from page 3)

as a new home center chain in the market.

"The delay in expanding has been nothing more than investor lethargy," Nahodil said. "A real estate man in Milwaukee had been offering to us a piece of land which really was not in a good location. He kept sweetening the deal and making it more attractive."

Ole's chairman Max Knell agreed that the opportunity in Milwaukee is "great" and that the investors are to blame for the slow expansion of the chain.

However, officials finally decided not to take the parcel and have signed a deal for a third store, to be built from ground up and ready for opening in April in the city.

"We should have had our third store open by now," Nahodil said. "Milwaukee is a good market and there's exceptional opportunity. We don't want to let the opportunity get away."

By the time the new 40,000-sq.-ft. store opens, officials hope to have the chain's flagship store at 27th and Layton expanded from 27,000 to 37,000 sq. ft., according to Nahodil.

He said he hopes a fourth Hal's will debut by next fall.

However, expansion is not the only area upon which Nahodil will concentrate initially. He wants the chain to focus more on the big-ticket sale.

"Originally, we wanted to be a service, selection and price value, not necessarily low price, company," he explained. "We're designed to give service, but we were trying to compete on price. We can't compete with a Menard's, but on a service level, a Menard's can't compete with us.

"We're not a threat to Menard's and they aren't a threat to us. We're completely different."

To this point, however, Nahodil said he was happy with Hal's progress.

Payless adopts new ad strategy

(Continued from page 3)

Pond said his staff members currently are examining sales in those departments whose products played a role in each of the 15 clinics held. "For instance, there was a clinic on how to install a faucet, and we are trying to determine whether sales in that area changed significantly after the clinic was held," explained the executive.

"We're also looking at the types of clinics run, and at the way they were promoted," he added.

Payless Cashways reportedly has been sponsoring DIY clinics since the Great Depression, when its only store was located in Pocahontas, Iowa. "And there are seasonal clinics held in Sacramento, but this is the first time we've done a fair," continued Pond.

"Fairs are better because they can be labeled with creative names—fairs are fun," he said. "And they're like an umbrella under which you can hang things like giveaways."

According to Pond, the new strategy for 1984 is to dovetail two previously separate advertising ploys: one centering on price promotions and one calling for image-intensive ads. Until early 1982, Payless relied on price-oriented print advertisements for 95% of its promotions. The company then cut the number of price points carried in each ad, replacing them with photographs of in-store merchandise displays, and moved heavily into television.

The shift in emphasis was designed to promote an image of breadth and quality in merchandise, Pond explained. "We did that instead of attempting to lay out our entire hand on a price display and affecting, usually negatively, gross margins."

During the fair in Dallas, Payless ran two run-of-press (ROP) newspaper ads per week, supplementing its usual Sunday price and item ad with one placed mid-week and devoted exclusively to the clinics and giveaways. The chain also purchased air time on three local television stations.

Jim Neustadt, Payless' advertising director, said the fair's promotions got under way on Sept. 5 when the chain broke a nonprice-oriented, double-truck ad in a local Sunday newspaper. The ad, like those which followed at mid-week for the remainder of the fair schedule, ran with three colors (blue, red and black) and focused entirely on the concept of learning "How to . . ." at Payless Cashways, encompassing "how to" build a deck or "how to" win a pick-up truck.

The weekly price and item ROP's were tagged with red headlines which said, "How to Save at The Fair." Just such an ROP, which appeared Sept. 11 in the *Dallas Times Herald*, featured reduced prices on items including Colony house paint, Owens-Corning Attic Blanket, Keller tub enclosures and ladders and Armstrong vinyl floor covering.

The fair began less than two weeks after Bowater Home Centers opened two 70,000-sq.-ft. retail warehouse stores in the Dallas area, one in Mesquite and another in Richardson. Pond said the fair was in no way connected with the Bowater openings, but timed instead to coincide with local public fairs. However, the executive admitted that the DIY fair concept is included in Payless' "black book" of strategies to be used in competition with warehouse operations.

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Retail Management Systems:
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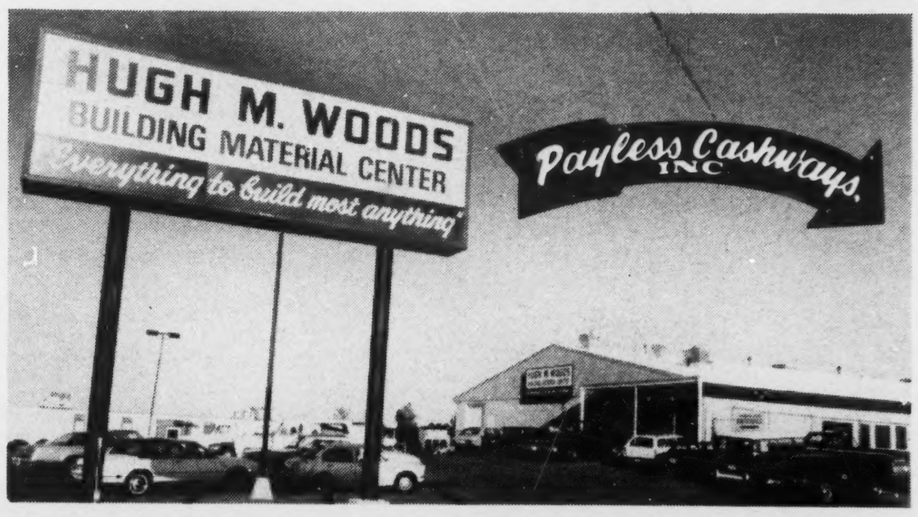
National Home Center News®

Vol. 9, No. 24 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. November 21, 1983

Payless acquiring Prime/Hugh M. Woods units



Payless Cashways has agreed to purchase 10 Hugh M. Woods units in Denver, one each in Colorado Springs and Boulder, and two Prime stores in Las Vegas for $71 million. NHCN photo

Acquisition boosts Payless leverage in Denver market

By John Caulfield
NHCN associate editor

DENVER—Capping off the most successful year in its 53-year history, Payless Cashways announced it will make a major acquisition that will give it almost total dominance in the burgeoning Denver-area home improvement market.

The 121-unit Kansas City chain has reached an agreement in principle to acquire Prime Home Improvement Centers Inc. which operates 10 Hugh M. Woods units in Denver, one each in Colorado Springs and Boulder, Col., and two Prime stores in Las Vegas that opened this summer. Hugh M. Woods legally changed its name to Prime Home Improvement Centers this summer.

Payless, through a "pooling of interests," will exchange, 2,998,000 shares of its common stock and $1 million in cash for the Prime chain, which had sales of $85 million and earnings of $4 million last year. Payless' stock was selling for $23.38 on Oct. 31, the day the agreement was reported, making the deal worth $71.1 million. The terms of acquisition are subject to approval by the boards of both companies, but if all goes as planned the deal should be closed by late winter, 1984.

The announcement comes on the heels of Payless' recent acquisition of Wood Brothers' three Tucson, Ariz., stores (*NHCN*, Oct. 24), and, barring any further developments in November (when its fiscal year ends), finishes off what has been one of the most remarkable growth programs in recent memory.

"Prime has been an extremely well-run company for many years, and we have always viewed it as one of our toughest competitors in any market," said Payless president David Stanley, whose chain runs seven stores in Colorado. He said there was a strong possibility that Payless' units here will change their names to "Hugh M. Woods" once the ac-

(Continued on page 46)

Knox going public to fund expansion

By Kenneth Schept
NHCN senior editor

ST. PAUL—Knox Lumber, the nine store home center subsidiary of Southwest Forest Industries, is being spun off as a public company in which Southwest will retain about a one-third interest.

Early this month Southwest and Knox filed a joint offering of 2.4 million shares with the Securities and Exchange Commission in which Southwest will sell 1.9 million shares of Knox stock and the retailer will issue 500,000.

The stock, expected to sell at $12 to $15 per share, could produce as much as $36 million, of which about $7.5 million would go to Knox, for expansion and remodeling.

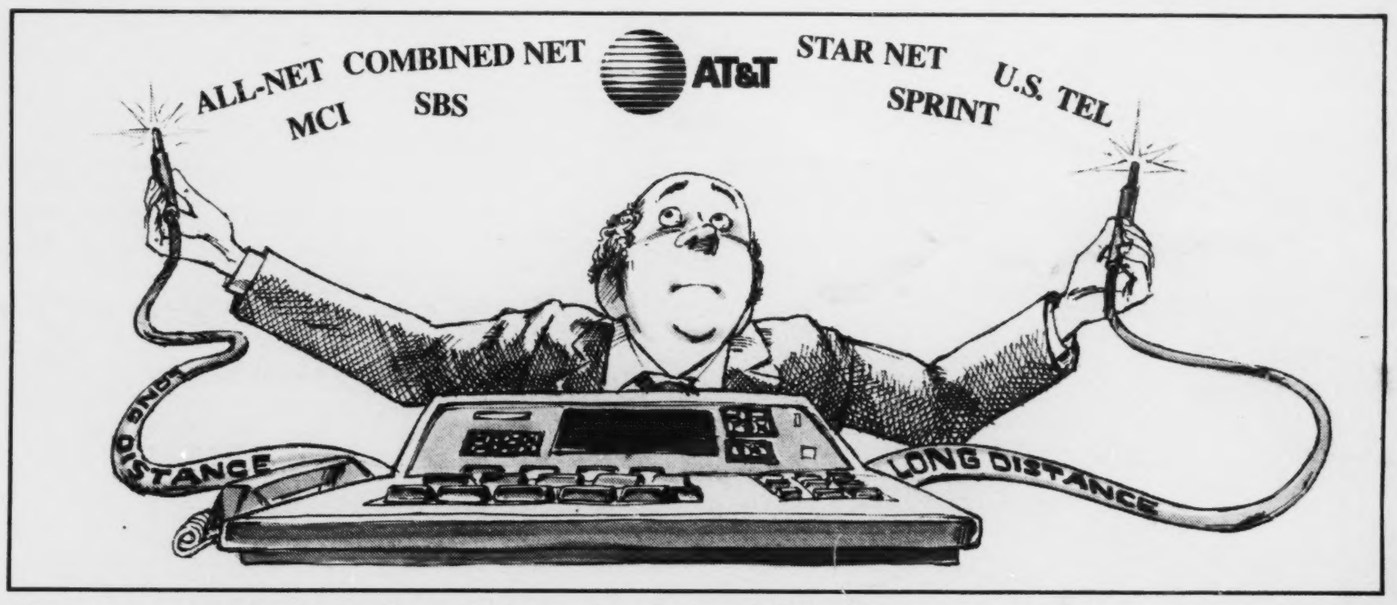
"We're anxious to grow and we need capital to do it," said Knox president Larry Platt. "The stock issue will provide Knox with capital."

Construction on the company's sixth unit in the Minneapolis-St. Paul market could begin as early as next month at an estimated cost of $3.3 million. Expansion and remodeling of four of the Knox Twin Cities stores is also being considered, according to the preliminary prospectus. The total cost is expected to be about $1.5 million.

As early as mid-1984 Knox could also invade a new market with several stores. The company is now investigating major United States markets for a multistore attack. No lease commitments have yet been made. Further capitalization may be needed.

"Right now we're just evaluating metro areas within many geographic regions," said Terry Zappa, Knox chief accountant. "We intend to commence con-

(Continued on page 46)



The new era of telephone deregulation will present retailers with some tough choices as a dizzying array of equipment and long distance service vendors scramble for new retail clients.

New telecommunication systems present big challenge to retailers

By Wyatt Kash
NHCN editor
and Phillip M. Perry
NHCN associate editor

NATIONAL REPORT—For home center retailers large and small, the new era of telephone deregulation beginning Jan. 1 with the breakup of the century-old American Telephone and Telegraph Co., promises to unleash a tidal wave of new business costs—and cost-saving opportunities.

The once-simplified system by which long distance phone calls were carried and billed by a single company has rapidly begun to fracture, offering retailers an unwieldy array of new choices.

There are now, in fact, approximately 200 companies throughout the United States "reselling" or supplying long distance voice and data transmission services, according to James H. Rosenthall, a partner at Price Waterhouse.

"The concept of a single vendor is over," he said, at a telecommunications conference held last month by the National Retail Merchants Assn., in adding that 22% of today's equipment and long distance service is provided by non-Bell Telephone companies.

With the sheer number of vendors, and the confusion over new intrastate and interstate rate structures expected from deregulation, many retailers may be forced to rely on telecommunications specialists, much the way many businesses now rely on travel agents, to keep abreast of the best deals.

Choosing the right long distance carriers, however, especially for multistate chains, is only part of what is becoming a new, more complicated set of decisions facing retailers.

The number of options and features for transmitting, distributing and restricting voice and data communications has exploded over the past several years and is expected to skyrocket over the course of the decade.

"Telephone systems are going to change like computers have changed," commented

(Continued on page 14)

A. T. & T. sets up shop in home center outlets

Hechinger, Cotter units take on telephones

By David Morgan
NHCN field editor

NATIONAL REPORT—A.T.&T., the century old company that first introduced the telephone to the American household, has begun admitting home centers into its stable of retail outlets selling A.T.&T. telephones.

The New York-based conglomerate is now moving "Phone Booth" displays into stores operated by Hechinger, Landover, Md., and member outlets of co-op giant, Cotter & Co., Oak Brook, Ill. It is also holding "discussions" with half a dozen other home improvement retailers, including one large home center chain on the East Coast which reportedly is preparing to take on A.T.&T. products as well.

Since it began marketing telephones last January, A.T.&.T. has sought to establish accounts primarily with selected national and regional companies. Its first two accounts were Sears Roebuck & Co. and J. C. Penney, both of which opted for an extended version of the "Phone Booth" called the "Phone Center." Then came Target Stores as the first regional customer.

Vince Dixon, manager of sales, planning, merchandising and promotion for A.T.&.T., said the marketing campaign has been directed at five major retail "trade classes," including department stores, specialty stores, discount stores, catalog companies and others. "We do business by contractual agreement, so we want to develop long-term relationships with

(Continued on page 46)

NEWSBREAKS

HOMECRAFTERS GOING PUBLIC. Homecrafters Warehouse, recently formed by Georges A. Hanzi to open two warehouse outlets in Memphis (*NHCN*, Oct. 24), has filed an offering for 2 million shares to raise $28 million to $32 million by year-end.

GOODBUYS FILES OFFERING. Mr. Goodbuys, the four-store mid-Atlantic chain, has filed with the Security and Exchange Commission to offer 800,000 common shares, at about $18 per share, with the proceeds to be used for expansion, computerization and debt reduction.

INSIDE:

BUILDERS EMPORIUM is altering its buying procedures, adopting a POS price look-up system and embarking on a 15-stores-in-three-years expansion plan ..... Page 2
PAY 'N PAK unveiled its prototype warehouse unit ..... Page 6

NHCNews Briefs

Industry Update

Home-Pro increases offering

SAN ANTONIO—Home Centers of America has filed with the Securities and Exchange Commission for a public offering of an additional 600,000 common shares, essentially to finance its next four stores in Texas including its debut in Houston and Lubbock early next year.

Chairman Frank Denny said the four-unit chain, which already this year has opened three Home-Pro Warehouse outlets in San Antonio and another in Corpus Christi, Tex., hopes to raise more than $6 million through the offering.

Home Centers of America stock was bid at 10, asked at 10½, as of Nov. 1, but has sold for as high as $15½ per share since its initial offering last spring.

The additional shares will push the company's common stock outstanding to just more than five million shares.

Home Depot rolls out new units

ATLANTA—The Home Depot upped its store count to 16 last month by strengthening its existing Florida markets with two new 70,000-sq.-ft. units.

The first store opened Oct. 20 in Clearwater, Fla., giving the company a second unit in the Tampa-St. Petersburg area. The other new unit opened a week later, on Oct. 27, in West Palm Beach.

Home Depot released no further details about its impending entry into the Phoenix market. President Arthur Blank said only that the chain will open three new stores in the Arizona capital before Jan. 31. *NHCN* has confirmed, however, that two of the units may be in a position to open by Thanksgiving weekend.

According to Blank, the retail-warehouse company will continue to fill in its north and south Florida markets next year. Two of the 6 new stores planned for fiscal 1984 will open in St. Petersburg and Deerfield Beach.

HomeOwners opens 2nd unit

PLANTATION, Fla.—HomeOwners Warehouse (HOW) opened its second store on Sept. 30, in this suburb of Fort Lauderdale.

Located in a strip center eight miles from a Home Depot store, the 60,000-sq.-ft. unit with 115 employees represents the next step in the company's plan to open 12 stores by the end of 1984. (*NHCN*, Sept. 12.)

"Our only merchandising change from our first store was to increase capacity in our building materials area," said Dave Loveless, vp of operations.

Rack height for insulation, roofing materials and doors was raised from 12 ft. to 16 ft. Warehouse racking for 2x4 studs, drywall, and pressure treated lumber was removed in favor of stacking the materials on the floor.

Both moves, said Loveless, reflect increasing sales volume and a desire to reduce materials handling.

Ole's vice president resigns

PASADENA, Calif.—Robert Mendes, Ole's vp-sales and promotion, has resigned from the post which he had held since April 1982. His responsibilities have been assumed by Richard Takata, formerly Ole's field merchandise manager, who will become Ole's sales and promotion manager.

Mendes previously has worked for Forest City, Cleveland, and Channel Home Centers, Wippany, N.Y. He has not announced his future plans.

National Home Center News.

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People	4		

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Vol. 9, No. 24 November 21, 1983

15 new stores to open in three years

B.E. unleashes new strategy

By Kenneth Schept
NHCN senior editor

IRVINE, Calif.—Builders Emporium has recently shifted to buying lumber direct instead of through wholesalers and as a result wood product sales have improved 20% to 30% while turns have increased even more than that, according to Tony Swies, president.

Simultaneously, a point-of-sale (POS) system is being phased into all 60 stores and, after opening no new units in about 18 months, the company is embarking on an expansion plan that calls for five stores annually for the next three years.

These developments are part of a strategic plan that was shelved during the financial crisis of BE's corporate parent, Wickes Cos. Now, 18 months into Chapter XI, with Wickes reportedly close to an agreement in principle regarding reorganization, BE is unleashing its plan.

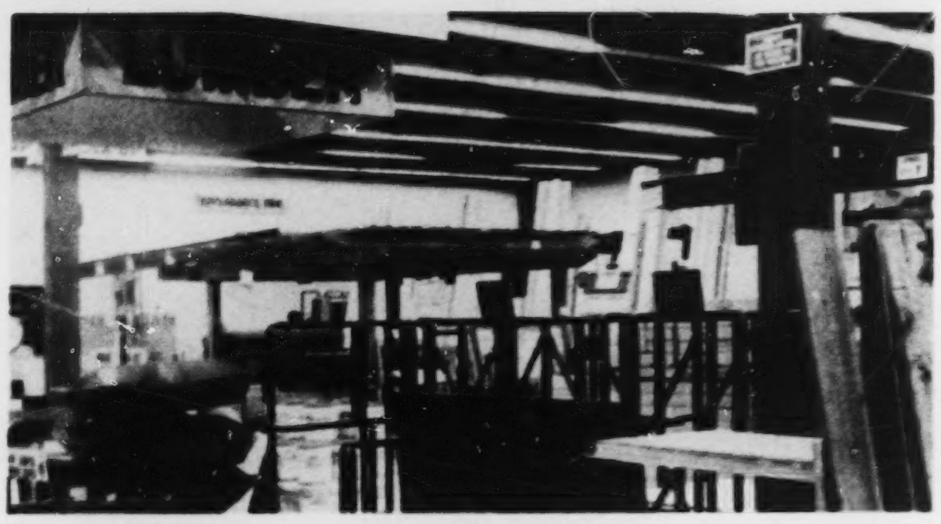
"The five-year plan was submitted a year ago," said Swies. "It was refined in the past 30 days."

"It's a plan that was drawn some time ago when we put together the first part of our strategic plan," said Martin Bocola, senior vp operations. "We've had five phases of it. Prior to Chapter XI a lot of things went by the wayside. We reactivated a lot of things. The implementation phase is now taking place.

"We have gone direct on lumber," said Swies. "I guess that tells the whole story. That shift has been completed in the last three or four months."

The move to direct buying was facilitated by a larger Anaheim warehouse in southern

(Continued on page 43)



Lumber departments at Builder Emporiums are being enlarged as more merchandise is taken on as a result of the chain's decision to purchase more wood products directly. Lumber department shown is in the Sunnyvale, Calif., BE.

Hechinger store spawns outdoor shopping center

LANCASTER, Pa.—The Hechinger Co.'s five-year-old store here in this southeastern Pennsylvania community is about to give birth to a seven-store strip shopping center.

Called Hechinger Plaza, the shopping center will become fully operational by Dec. 1, on two and a half acres located next to the Maryland-based company's 60,000-sq.-ft. unit. Tenants of the 22,500-sq.-ft. plaza are said to include a furniture store, a retailer of appliances and a water bed dealer.

A spokesman for developer WSKB & Assoc. of Baltimore said Hechinger Plaza reached conception when the property's owners considered the amount of consumer traffic generated both by Hechinger and a local Oldsmobile dealership. The site is also located at the intersection of two main thoroughfares.

While the Lancaster development is the only case on record in which a home center has attracted a shopping center, it will not be the first time that a Hechinger store has anchored a retail complex. The company two years ago coordinated the development of Hechinger Mall, a 27-store shopping mall located on the site of a former Hechinger warehouse in Washington, D.C. The mall is anchored by a Hechinger store, a Safeway supermarket and a People's all-purpose drug store.

Philip Mansfield, Hechinger's executive vp, said the Lancaster unit has captured a "lion's share" of the local market since its opening in August 1978. The executive would not comment on the store's sales or traffic count, however.

"But the store has brought us consistent sales increases," he added. "It has been a very satisfactory operation."

Hechinger plans to open another 60,000-sq.-ft. store in Pennsylvania by Christmas. The unit will be located in Feasterville, Pa., just outside Philadelphia. The company also plans to move into the lower level of a three-story Hecht Department Store in the City of Baltimore before year's end.

Lowe's tops $1 billion

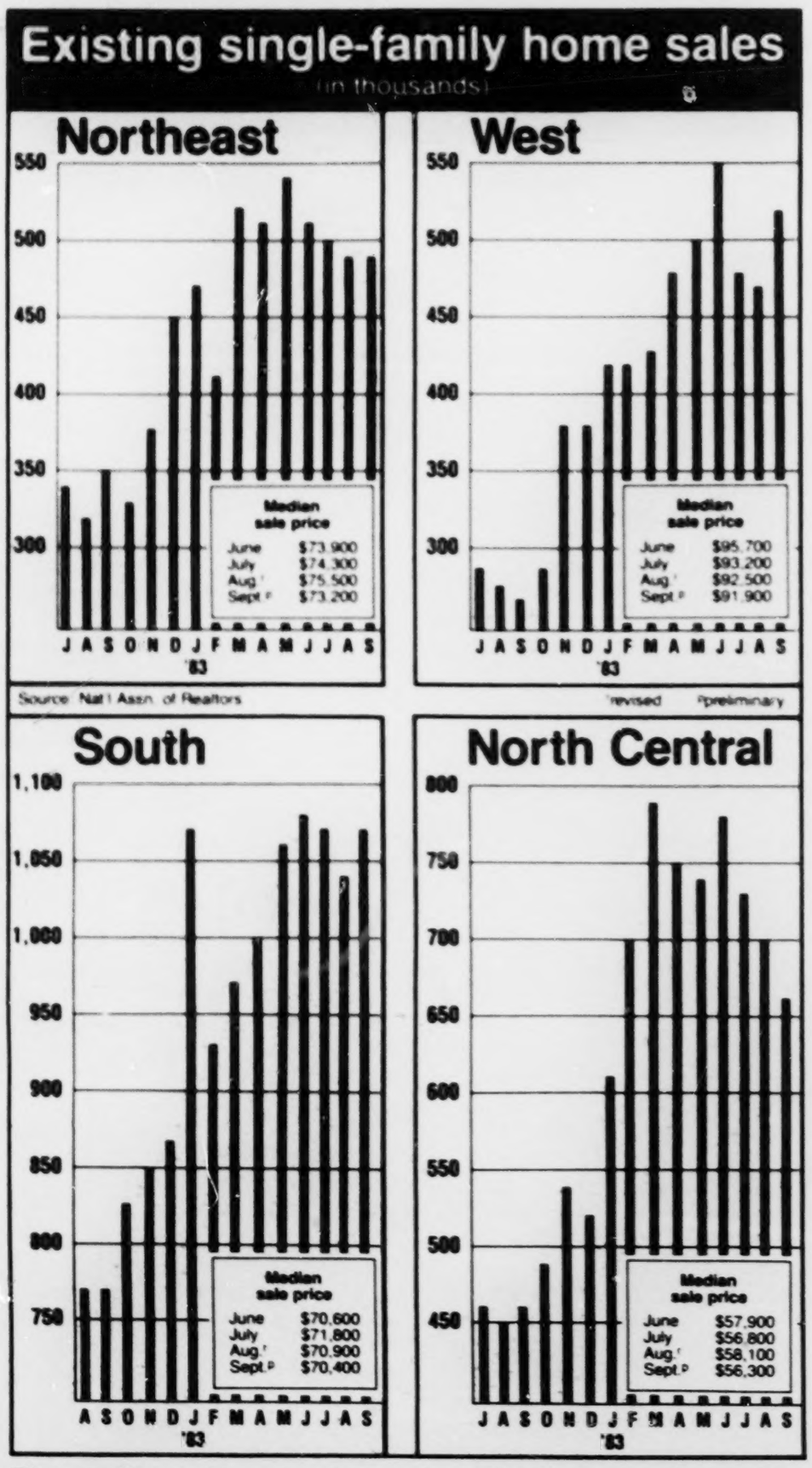
NORTH WILKESBORO, N.C.—With three months still remaining in its current fiscal year ending in January, Lowe's recorded $1,095,300,000 in volume through Oct. 28, officials said.

Lowe's waited until Jan. 17 to pass the billion-dollar mark for the first time last fiscal year (*NHCN*, Feb. 14).

The current three-quarter figure is 39% better than the $785.7 million amassed through the first three quarters of fiscal 1982.

The only other home center operator besides Lowe's to reach $1 billion in annual volume has been Wickes Lumber in 1979, 1980 and 1981.

In the five weeks ended Oct. 28, Lowe's professional sales, as they have in recent periods, contributed heavily to a 29% overall gain in sales to $148.3 million compared to a year ago. Builder business was up 46% to $74.9 million, or 51% of the five-week total.



The median sales price for a single-family home dropped to $70,400 in September, a decline of $1,100 over August's revised figures which were off 0.4% from July. Existing home sales rose by 1.1% over the country as a whole but declined in the North Central region, the only area to experience a decline.

LUMBER REPORT

Lower lumber prices to continue into 1984

By Hawk Furman
Special to NHCN

It appears that 1984 will be another excellent year for lumber retailers in the volume of board footage of lumber and square footage of plywood sold.

Remember the price surge between November 1982 and January 1983 when many wood items like 2x4 Western S.P.F. random length lumber rose $50 per M-board foot? Will this price escalation repeat itself? The interplay among current price levels, interest rates, end use demand, inventory levels and, particularly, production levels holds the answer.

Hawk Furman, president, Furman Lumber, Boston

Price levels of lumber and panelboard are higher than last year. Two by four Western S.P.F. is 18% higher than in 1982. Two by four Douglas Fir is up 25% over the fall of 1982 levels. Sheathing products range from steady to up 5%. This is a result of more panelboard production coming on in the form of waferboard and O.S.B. and the fact that plywood prices did not drop as sharply as lumber prices from 1980 to 1982.

Interest Rates: Mortgages are currently holding at the 13.5% level. Most "experts" are comfortable in predicting the upside in mortgage rates at 14% in 1984 and the downside at 12% to 12.5%. Election year politics should help point mortgage rates somewhat lower than today.

Export business remains sick but is better at this time than last year and is expected to increase in 1984.

According to Donald Treadwell of the National Association of Realtors, the pent up demand for housing by the first time home buyers should keep the real estate market recovery on track. And although the housing starts number has been quite impressive for 1983, the end use demand for wood products per unit was lower than in previous years because of the sizing down in single family houses, and the production of more condominium units with many in the 800-sq.-ft. size. Forty per cent of the housing starts in the United States were in multifamily units. There is considerably less wood used in a multifamily unit than in a conventional single family unit. Housing starts for 1984 are predicted to be the same or slightly better than 1983.

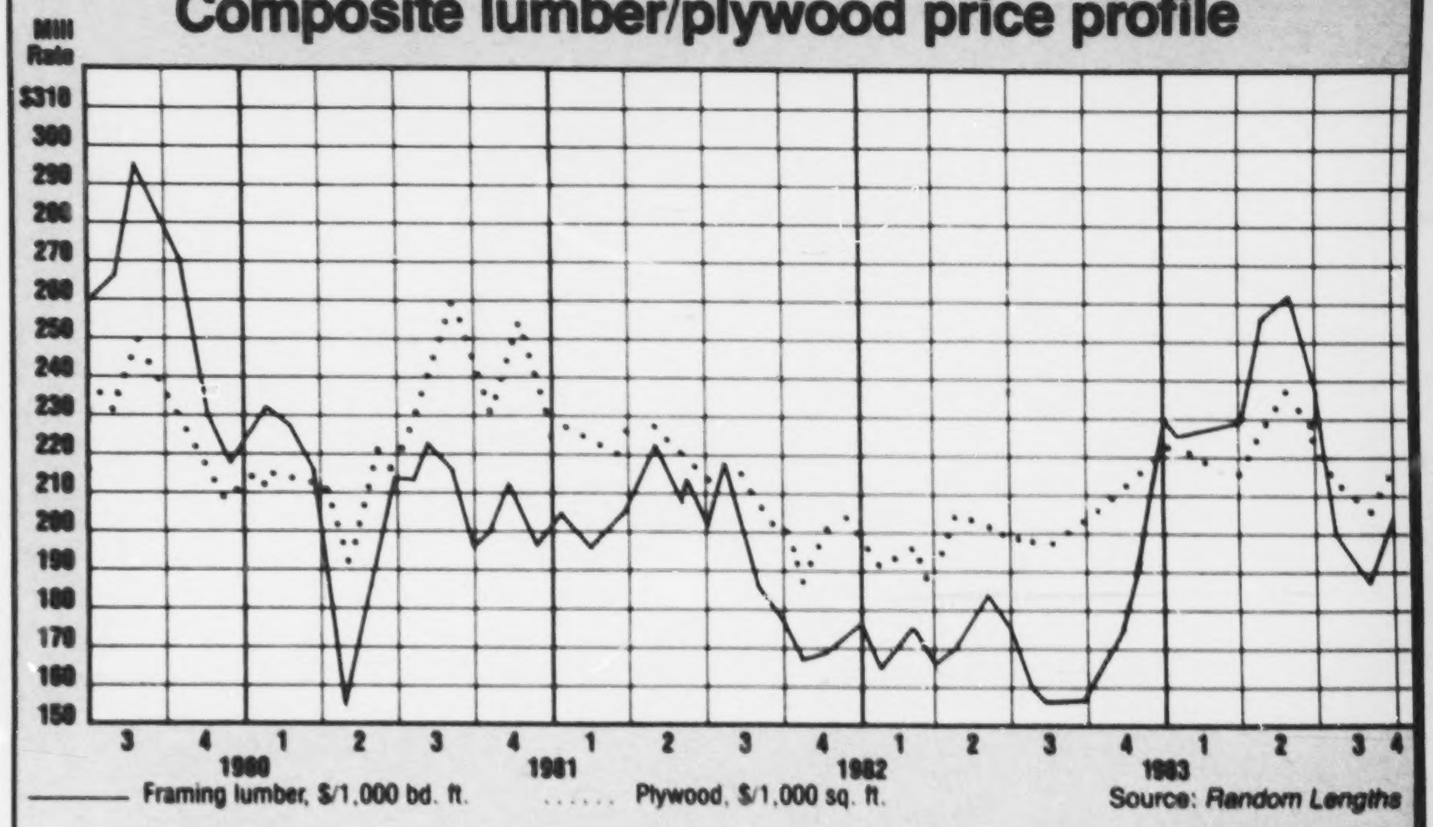
Inventory Levels: Retail lumberyards, in general, throughout the United States have a minimum of 25% more lumber and panelboard products in inventory compared to last year. Strike, walkout, lockout talk for the past five months has not brought on any panic buying. Inventory at the wholesale levels are higher than last year.

Canadian reloads have a significant increase in Western S.P.F. stock compared to last year. There is a lot of S.P.F. footage and storage as a result of basis trading on the futures market. This wood has to appear on the open market sometime. Cargo hemlock inventory on the East Coast is up 53% from last year to 230 million board feet.

Production Levels: Despite all the hype on the western Canadian woodworkers potential strike, since June 24th production keeps charging ahead. It appears to be clear after five months that no one really wants a strike. Today there is just too much production in relation to demand. Mills in North America are the most efficient they have ever been and are producing at record rates.

In summary, the lumber market is different than last year. Today price levels are up, inventory levels are up, interest rates have stabilized, demand remains stable and production is overwhelming demand. It appears that unless production is curtailed by management or strike, prices will remain at bargain levels and float lower until it hurts too much for the mills to produce.

Composite lumber/plywood price profile



Framing lumber and plywood composite prices rallied somewhat during early October on the strength of heavy demand and anticipation of production curtailments as winter approaches.

By the end of the month prices dipped somewhat, which could simply be a market adjustment, although more bearish observers felt that prices would continue to soften because production persists in heavily outpacing demand.

The framing lumber composite reached $202 per thousand board feet in October, while plywood rose to $217 per thousand square feet. The composite numbers are base, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

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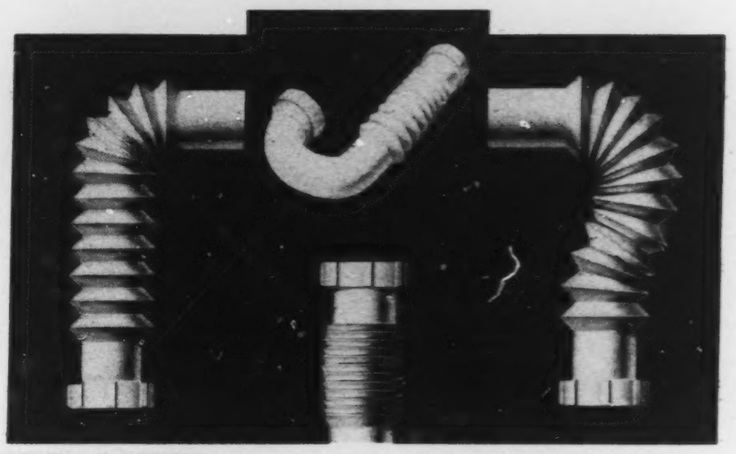

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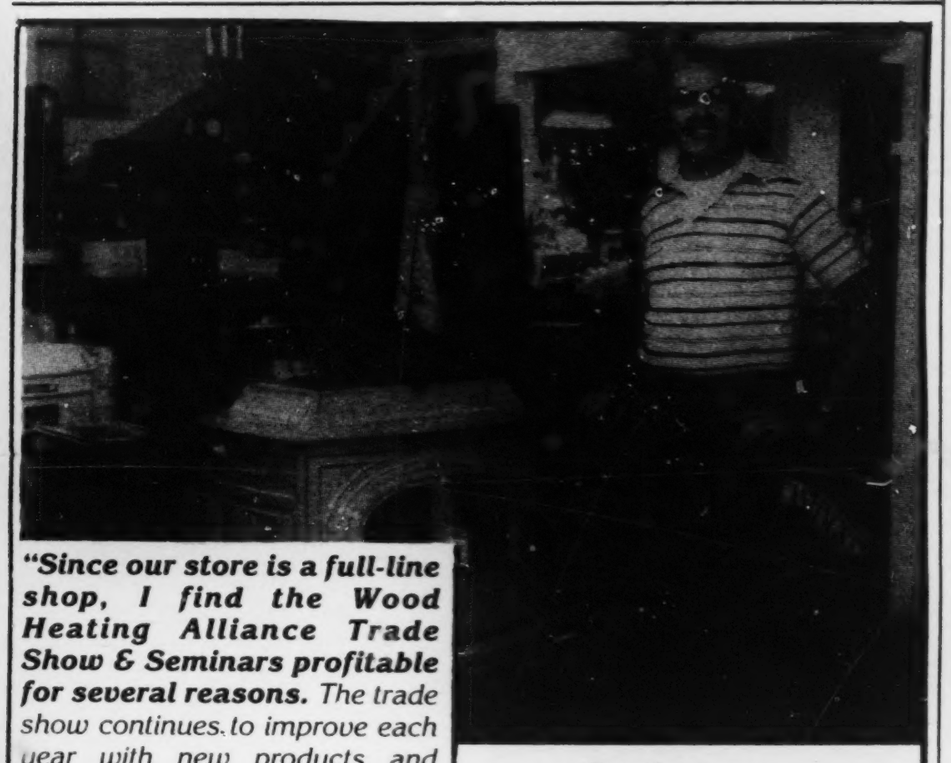

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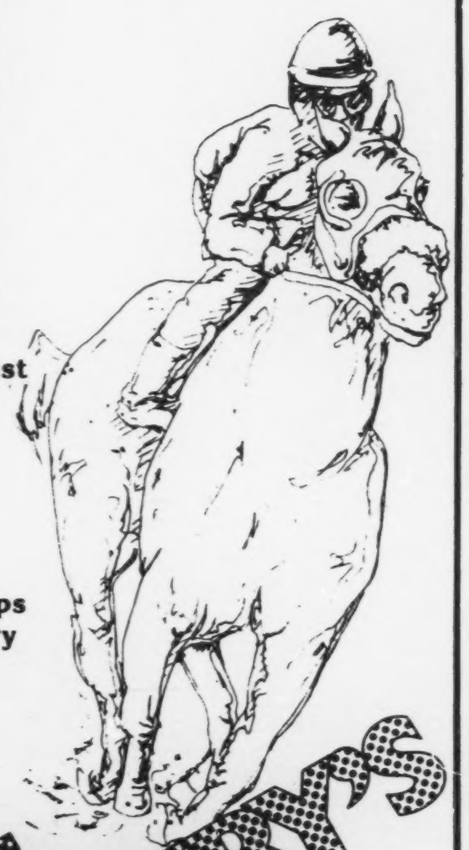
— Bob Vasquez

Bob Vasquez
Forden's
San Luis Obispo, California



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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	9/30-1st qtr.	$ 62,755	$ 57,375	9	$ 2,689	$ 2,349	14
Evans Products**	9/30-3rd qtr.	273,936	233,802	17	25,144	21,694	16
Forest City	7/31-2nd qtr.	91,474	95,690	– 4	3,578	3,095	16
Scotty's	10/1-5 wks. 10/1-1st qtr.	36,086 95,379	29,765 75,699	21 26	— 3,210	— 2,099	— 53
Southwest Forest Industries	9/30-3rd qtr.	192,475	162,160	19	– 2,350	– 6,422	—
Wolohan Lumber	9/30-3rd qtr.	35,122	28,571	23	677	543	25

*$ in thousands
**includes revenues and operating income from retail group only.

Source: Company reports

Sales increases boost Scotty's net for 1st qtr.

WINTER HAVEN, Fla.—A 71% rise in sales to builders contributed to a 53% gain in net income to $3.2 million at Scotty's in its first quarter ended Oct. 1 compared to year-ago figures, chain officials indicated.

Contractor volume jumped to $30.2 million in the period, and combined with a 12% increase in consumer sales to $65.1 million from a year ago, helped to push total volume for the quarter to $95,379,000, up 26% from the chain's first quarter last year, according to Harold W. Taylor, senior vice president and chief financial officer.

The quarterly sales figure was helped by a 21% gain in sales for the five weeks ended Oct. 1 to $36.1 million and a 21.7% rise in comparable store volume for units opened both this year and last, officials said.

Dennis W. Stults, executive vice president, attributed the sales growth to an improved business environment in Florida, where Scotty's operates all but one of its 104 outlets. In addition, he pointed out, the first quarter sales did not benefit from Scotty's fall sidewalk sales promotion as they did last year. The promotion took place during the first week of the second quarter this year.

The chain's gross margins also increased despite the greater business with builders as they reached 30.9% from 30.3% last year.

However, operating expenses rose nearly as quickly as sales, in part because the chain added personnel in preparation for the sidewalk promotion.

Wolohan posts 25% net income gain in 3rd qtr.

SAGINAW, Mich.—Wolohan Lumber continued its improved 1983 performance during the third quarter as the 33-store chain posted its third consecutive quarterly earnings increase, officials said.

Wolohan's net income rose 25% to $677,000 in the period on a sales gain of 23% to $35.1 million from year-ago results.

The chain's volume received a boost from a 55% increase in professional sales which rose to $14.8 million from $9.5 million in the third quarter last year, officials said. Consumer volume was up a modest 7% to $20.4 million as compared to the third quarter of 1982.

Because contractor sales jumped from 33% of total volume last year to 42% in the most recent quarter, gross margins dipped from 24.3% last year to 23.7% this year, officials said.

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STOCK PRICES

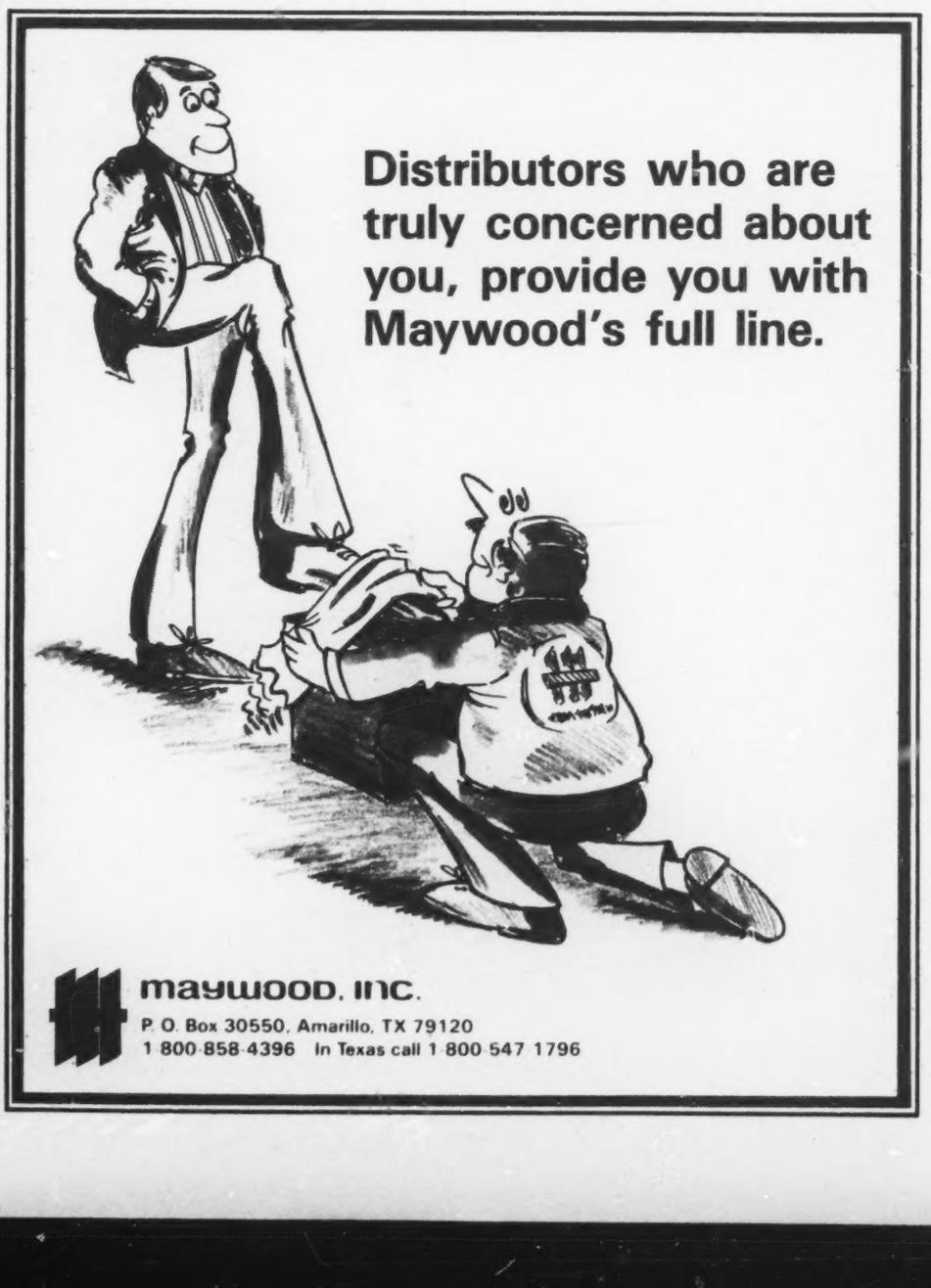
	As of 10/25	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	40	47⅜	32	23
Edison Bros. Stores (NYSE) [Handyman, Homer's]	38⅛	46¾	25½	13
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	13¼	19½	7	—
Forest City (AMEX)	13⅞	15¾	8⅛	40
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	46⅞	50⅜	35¾	15
Lowe's (NYSE)	21⅜	32¾	15⅛	19
Michigan General (AMEX) [Diamond Lumber]	12¼	14	1⅝	—
Pay 'N Pak (NYSE)	17⅛	24	16⅝	17
Payless Cashways (NYSE) [Furrow]	24¼	34½	18	23
Scotty's (NYSE)	15¼	21⅛	14⅛	15
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	13⅝	16½	9⅞	—
Standard Brands Paint (NYSE)	26⅜	28¾	17⅞	16

Nasdaq national—over-the-counter stocks

	As of 10/25	52-week High	52-week Low	P/E Ratio
Color Tile	16⅞	28	13⅝	—
Hechinger	24	38½	19	—
The Home Depot	23¾	31¾	7⅜	—
Pay 'n Save	23⅝	27⅝	12	—

Over-the-counter stocks

	As of 10/25 Bid	As of 10/25 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	22	25	11
Hines Lumber	28½	30½	31	15¼
Home Centers of America	10¾	11¼	15½	5
Home Centers of America [units]	33½	35	51½	13¾
National Lumber	11¾	12¼	13¼	10
Scotts Seaboard [Scott's]	3⅝	4½	5	⅝
Wolohan Lumber	5¾	6	10⅛	4⅜



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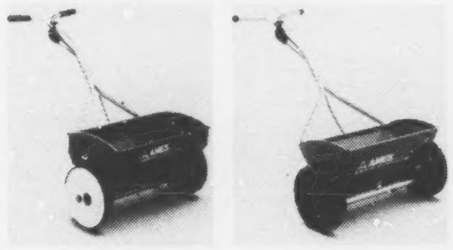
NEW PRODUCTS

Promo-to-premium

Ames, Parkersburg, W. Va., has unveiled a new 20-in. promotional drop spreader (left) with a 1,008 cu. in. (70 lb.) capacity. The model 24-603 features 10-in. wheels, ⅞-in. zinc-plated tubular handles and legs and an easy-to-use on/off control.

Ames is also touting its new premium drop spreader (right). This 20-in. model (24-604) features a 24 gauge steel hopper that holds up to 1,224 cu. in. (80 lb.) of material and an exclusive built-in lawn marker.



Nail pack

Teco, Chevy Chase, Md., has repackaged its line of joist hanger nails. Manufactured from heavy wire gauge, the nails are short and have a thick head so they will not protrude through nominal 2x4 lumber. A hot galvanized finish makes them efficient for outdoors use with pressure treated wood. New informative graphics on the package tell consumers the advantages of using joist hanger nails as opposed to regular commons.

Cracks tough nuts

A new oil, Lubit-8, contains, along with other carefully blended components, an E. P. (extreme pressure) additive for penetration, making it ideal for lossening seized nuts and bolts and freeing up any type of moving parts inhibited by rust, dirt or other foreign matter. Lubit-8 also can be utilized as a cutting oil for pipes and is excellent as a lubricating film between surfaces, such as window channels and sliding doors. It contains a high percentage of Teflon and Fluon micro-miniature particles in dispersion which cover and penetrate surfaces and provide a super-slippery protective coating far better than any regular oil. Lubit-8 is available from **Fluoramics Inc., Upper Saddle River, N.J.**

Double hoppers

Lawn chores are made easier with the new twin-hopper collection system introduced by **Allis-Chalmers Corp., Milwaukee.** This high-performance catcher, designed for all Sprint riding mowers and any 600 series lawn tractor with 36-in. mower, provides quick handling of lawn debris.

The twin-hopper grass catcher holds six bushels of debris, more than most competitive lines. Clippings are collected either directly into the twin hoppers or into 30 to 33 gal. trash can liners. To empty debris, the user simply lifts off the bag and pulls the convenient rope handle at the bottom of the bag for easy dumping.

Patriotic tile

Dealer requests for a lighter beige color in Kentile's popular Federal Brick line have prompted the addition of Concord Beige.

The new color tile is made in 1/16-in. gauge in both dry back and self-adhering touch down styles. It joins the existing colors, Independence Red and Columbia White, presently in the Federal Brick line.

The new vinyl composition tile is ideal for the colonial kitchen, the foyer and any room in the home where the rugged appearance of brick in the popular herringbone pattern can be an asset. The tile is available from **Kentile, Brooklyn, N.Y.**

FUTURES

Two weeks ended Oct. 28, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	178.90	157.50	158.40	172.90	2,105	229.90	157.50
Jan. '84	192.50	173.40	174.80	185.50	2,557	234.00	172.30
March	207.80	187.70	190.00	201.30	1,487	240.50	184.80
May	216.00	199.10	201.50	209.70	353	245.50	195.30
July	222.50	206.60	209.30	216.50	149	252.50	204.00
Sept.	225.50	213.00	215.00	223.50	61	236.00	209.80
Nov.	227.50	213.00	214.70	223.50	16	229.00	213.00

Total Contract Vol. (Through 10/28): 32,554 — Previous Two Weeks: 33,113
Total Open Interest (As of 10/27): 6,728 — Previous Week: 6,966
Cash Price: $159.74 — Previous Week: $163.66 — Year Ago: $135.24

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	196.70	183.60	187.30	189.90	209	226.60	172.20
Jan. '84	200.00	187.80	191.50	194.30	259	223.00	179.70
March	203.00	192.60	195.00	198.50	205	225.00	183.00
May	205.50	197.10	197.10	201.50	48	207.00	187.50
July	208.50	200.10	200.50	204.00	31	210.00	190.50
Sept.	211.30	203.10	204.00	209.00	0	212.50	203.10

Total Contract Vol. (Through 10/28): 1,358 — Previous Two Weeks: 1,194
Total Open Interest (As of 10/27): 752 — Previous Week: 895
Cash Price: $191.10 — Previous Week: $195.02 — Year Ago: $184.24

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	226.8	269.0	229.6

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Oct. 27.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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National
Home Center News

Vol. 9, No. 25 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. December 12, 1983

PAYLESS CASHWAYS:
ON THE THRESHOLD OF POWER RETAILING

Payless Cashways has emerged as a model of success in the home center industry, envied for its advertising, the competence of its store managers and sales that grew at a 29% compound annual rate over the past decade.

But in the last two years, the company has been developing a sophisticated attack plan that gives more powerful marketing tools to its managers in the field, which should catapult Payless into the ranks of the nation's pre-eminent retailers.

A *National Home Center News* Chain Profile

NHCNews Briefs

Industry Update

Court approves Wickes plan

SANTA MONICA, Calif.—A Federal bankruptcy court has approved the previously disclosed reorganization plans for Wickes Cos.' Gambles Credit Corp. and its closed mail-order catalog, Alden Inc., subsidiaries.

Wickes officials are still working with creditors on a total plan of reorganization pertaining to home center industry creditors that could result in an agreement in principle by late December (*NHCN*, Oct. 24).

The Gambles Credit plan calls for repayment of about $300 million in debt and the Alden plan provides for the settlement of the company's debt for 45¢ on the dollar. Alden debt is estimated at about $32 million.

House Works opens 7th store

METAIRIE, La.—House Works opened a 62,000-sq.-ft. store here last month, giving the seven-unit W. R. Grace-run chain its fifth store in the New Orleans market.

The chain, which made its debut in New Orleans with a 42,000-sq.-ft. unit in Harvey, La., and a 70,000-sq.-ft. outlet in Kenner, La., in March and later opened stores in Chalmette and Marrero, La., also operates units in Bradenton and Sarasota, Fla.

The opening coincided with the debut of a Handy Dan in Denton, Tex., the chain's first in the market which is north of Dallas/Fort Worth. The unit also features a warehouse format and 30,000 sku's, officials said.

Lumberjack's Steiner joins Knox

SACRAMENTO, Calif.—Jay Steiner, a member of the founding family of seven-unit Lumberjack which was sold to Payless Cashways last January, has resigned and accepted a directorship position on the board of Knox Lumber, the nine-unit St. Paul home center chain that is being spun off as a public company (*NHCN*, Nov. 21).

Steiner, who originally told *NHCN* he would remain employed as a consultant to Payless until January 1984, said he left early because "it would be awfully awkward for me to be sitting here knowing what Payless plans and then go to Knox. . . . It is sort of like being a spy."

Steiner's brother Tim and brother-in-law Gary Levi are developing several business ventures and are reportedly planning to continue their home center industry involvement. The Steiners are contractually unable to establish competitive retail outlets in markets served by Payless-owned stores for five years.

Scotty's sales up 34%

WINTER HAVEN, Fla.—Chainwide sidewalk sales promotions and an improved economy helped Scotty's boost sales in the four-week period ended Oct. 29 by 34% to $31.6 million compared to a year ago, president Ray H. Cooney said.

The sidewalk sales occurred in the first week of October compared to the last week of September last year and helped increase consumer sales which claimed a substantial part of the 34% gain, Cooney said.

In another development, Scotty's shareholders at the company's annual meeting on Oct. 28 approved an amendment to the articles of incorporation to increase the number of authorized common shares from 20 million to 50 million.

National Home Center News

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Vol. 9, No. 25 December 12, 1983

Sutherland expands whse plans

INDIANAPOLIS—Sutherland Lumber was scheduled to open an 80,000 to 100,000-sq.-ft. unit here on Nov. 23, in which the bulk of its merchandise will be displayed on 8-ft. warehouse racks.

The 82-unit Kansas City, Mo., chain is moving toward greater use of warehouse-style retailing as it acts on plans to expand to 92 stores by the end of 1984. It has already opened an 80,000-sq.-ft. store in Tulsa, Okla., on Sept. 1 using a similar display format and layout.

It also appears, though, that only some of the 33 family members running the chain favor the warehouse concept, and it is still premature to assess how many of its new stores next year will be warehouses.

In fact, it cannot even be said there will be uniformity among the warehouse units Sutherland does open. Its 84,000-sq.-ft. Dayton, Ohio, store, opened Sept. 18 (*NHCN*, Sept. 26), uses 3-ft., 4-ft., 5-ft. and 8-ft. fixtures to display its in-store inventory, and resembles a more traditional Sutherland Lumber unit more than its warehouse counterpart.

"It's kind of like going fishing," said chain partner Craig Sutherland to explain the different merchandising philosophies among the chain's co-owners. "You can get three or four people in the same boat, but they all may be using different lures."

Neither Kent Sutherland nor Christopher Sutherland—the partners who opened the Indianapolis and Tulsa stores, respectively—would comment about the use of warehouse racking in their units, or whether they would use this form of display in future store openings. Craig Sutherland said lower gondolas were used in Dayton for security purposes.

Interestingly, none of the warehouse stores advertised itself as a "Warehouse Plus" unit, which Sutherland called its 40,000-sq.-ft. store in Euless, Tex.

Craig Sutherland noted that the chain would soon open a nonwarehouse 45,000-sq.-ft. unit in Midvale, Utah, outside Salt Lake City, which would have lower gondolas. He is also looking at four sites in the Midwest for expansion: two that are previously occupied buildings and two for new store construction. He would not comment on the potential size of these units.

McCoy's opens 50th unit in chain

SAN MARCOS, Tex.—McCoy's Building Supply Centers held the largest chainwide sales promotion in its history from Nov. 7-19 in conjunction with the opening of its 50th store, located in San Antonio.

Entitled "Sellabration," the promotion began with the distribution of 3.5 million 16 page newspaper inserts to homes in 41 Texas cities. Items advertised in the tabloids were on sale at all units in the chain.

Additionally, run of press advertisements in local papers, along with 30 and 60 second radio spots, marked the days prior to the Nov. 7 grand opening.

The new store, the fifth for McCoy's in San Antonio, is similar to others in the chain. A lumberyard adjoins a 15,000-sq.-ft. sales area and an 8,000-sq.-ft. warehouse.

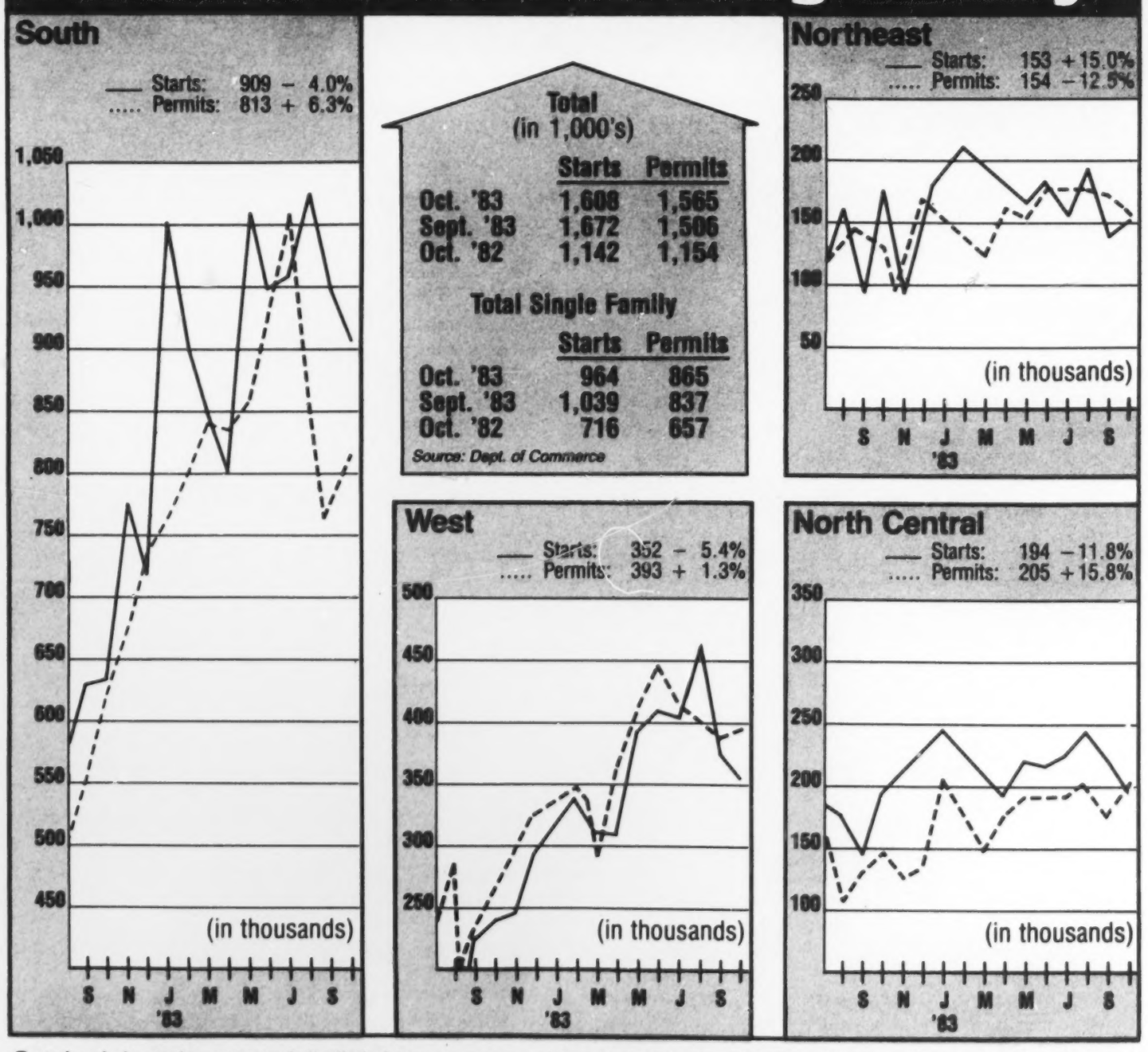
At the new store, disc jockeys from local radio stations KCOR, a Spanish language station and KTSA conducted regular live remote reports.

The company said it has purchased additional land for more openings early in 1984.

McCoy's Building Supply Centers grew to a 50-unit chain with the Nov. 7 opening of this store in San Antonio.

Photo courtesy McCoy's

October home-building activity



October's housing starts fell slightly to a seasonally adjusted rate of 1.61 million units, a decline of 3.8% over September's figures. However, one region, the Northeast experienced a 15% increase over September. Building permits also dropped slightly nationally by 3.9% to a seasonally adjusted figure of 1.56 million units. This was due to the large decrease in permits in the Northeast, a drop of 12.5% over the previous month's figures. The number of permits increased in all other regions, the highest occurring in the North Central with 15.8%.

FUTURES

Two weeks ended Nov. 11, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	170.90	155.20	165.50	165.30	1,096	229.90	155.20
Jan. '84	185.30	172.00	181.70	178.90	5,113	234.00	172.00
March	198.80	187.50	196.30	193.60	1,383	240.50	184.80
May	209.40	198.50	206.10	202.50	166	245.50	195.30
July	217.20	207.30	214.10	211.00	54	252.50	204.00
Sept.	223.50	212.50	219.50	216.00	21	236.00	209.80
Nov.	222.50	213.50	220.50	219.00	27	229.00	213.00
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	197.00	184.00	194.00	194.50	38	225.60	177.20
Jan. '84	199.90	188.00	196.40	196.70	312	223.00	179.70
March	203.80	192.20	200.50	200.80	186	225.00	183.00
May	201.00	196.10	—	201.00	56	207.00	187.50
July	No	trading	—	—	31	210.00	190.50
Sept.	No	trading	—	—	0	212.50	203.10

Total Contract Vol. (Through 11/11): 24,209 — **Previous Two Weeks: 32,554**
Total Open Interest (As of 11/16): 6,024 — **Previous Week: 6,743**
Cash Price: $160.72 — **Previous Week: $156.80** — **Year Ago: $148.96**

Total Contract Vol. (Through 11/10): 716 — **Previous Two Weeks: 1,358**
Total Open Interest (As of 11/10): 623 — **Previous Week: 710**
Cash Price: $191.10 — **Previous Week: $192.08** — **Year Ago: $187.18**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	271.9	270.3	233.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Nov. 10.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

WASHINGTON VIEW

Floor coverings manufacturer seeks relaxation of RPM order

By Ken Rankin
Washington correspondent

Encouraged by shifting Reagan Administration antitrust enforcement policies, Armstrong has asked the Federal Trade Commission to relax an 18-year-old order prohibiting the manufacturer from engaging in resale price maintenance conspiracies with wholesalers of floor covering products.

Rankin

If approved by FTC, Armstrong's petition would not permit the Lancaster, Pa.-based supplier to directly fix resale prices charged by home center stores in the United States.

But it would open the door for Armstrong to engage in Fair Trade-style RPM activities against retailers in Canada and other countries, while at the same time enabling the firm to resume a domestic price rebate scheme which was struck down as discriminatory nearly two decades ago.

In addition, the changes proposed by Armstrong would free the giant flooring manufacturer to discontinue direct sales to home center chains and other direct-buying retailers.

Armstrong has been prohibited from distributing certain floor coverings through wholesalers because of alleged anticompetitive practices in the past, and according to company attorneys the manufacturer is losing sales because of the requirement that it deal directly with retailers.

The Federal antitrust prohibition against such Armstrong pricing practices was the result of an FTC complaint issued in the mid-1960's charging the manufacturer with conspiring with its wholesalers to "fix the prices, terms and conditions of sale" of linoleum, asphalt tile, vinyl corlon and other floor covering materials to retail stores.

Charging that the firm's RPM practices "hindered, suppressed, lessened and eliminated competition" in the flooring products market, FTC ordered Armstrong to permanently "cease and desist" from these activities.

But in addition to fixing resale prices by retail stores, the commission's complaint also alleged that Armstrong violated the Federal Robinson-Patman Act by "discriminating in price, directly or indirectly, between different purchasers of its floor covering products," and by selling flooring materials to some purchasers "at substantially higher prices" than those charged to competing distributors.

Although Armstrong did not ask FTC to eliminate the longstanding prohibition against resale price fixing in the United States market, the manufacturer did ask permission to resume these activities overseas.

In seeking to limit the resale price maintenance ban to domestic sales, Armstrong told FTC that "there is no sound reason for the commission to prohibit RPM practices in foreign countries where such practices are permissible under the foreign country's own laws."

At the same time, however, Armstrong asked for additional modifications in the 1965 consent order which could have a direct impact on the company's distribution practices in the United States.

One change requested by the manufacturer would eliminate the order's restriction on a variety of "nonpricing" trade restraints, "such as the prohibition against distributing Armstrong's Floor Fashion Center line of products through wholesalers," FTC officials said.

"The company claims that the 'cumbersome' method of selling directly to retailers has reduced sales" of Armstrong floor coverings, the commission added.

In asking that the 18-year-old restrictions against price discrimination be eliminated altogether, the manufacturer argued that these activities are no longer considered illegal under the agency's shifting enforcement standards.

Home center chains have until this week to submit formal comments on the petition to FTC.

* * *

Underlining Armstrong's petition for "relief" from the 1965 RPM/price discrimination order: An increasing willingness on the part of Reagan Administration FTC appointees to "renegotiate" past antitrust orders prohibiting distributional trade restraints against retailers.

A new analysis of FTC enforcement activity prepared for Congress by the Small Business Legislative Council shows that during the past three years commission officials have modified at least 29 antitrust consent orders issued during the 1960's and 1970's (including no less than six orders prohibiting resale price fixing by manufacturers).

In contrast, during the four Carter Administration years FTC renegotiated just six standing antitrust consent orders, only one of which involved an RPM violation.

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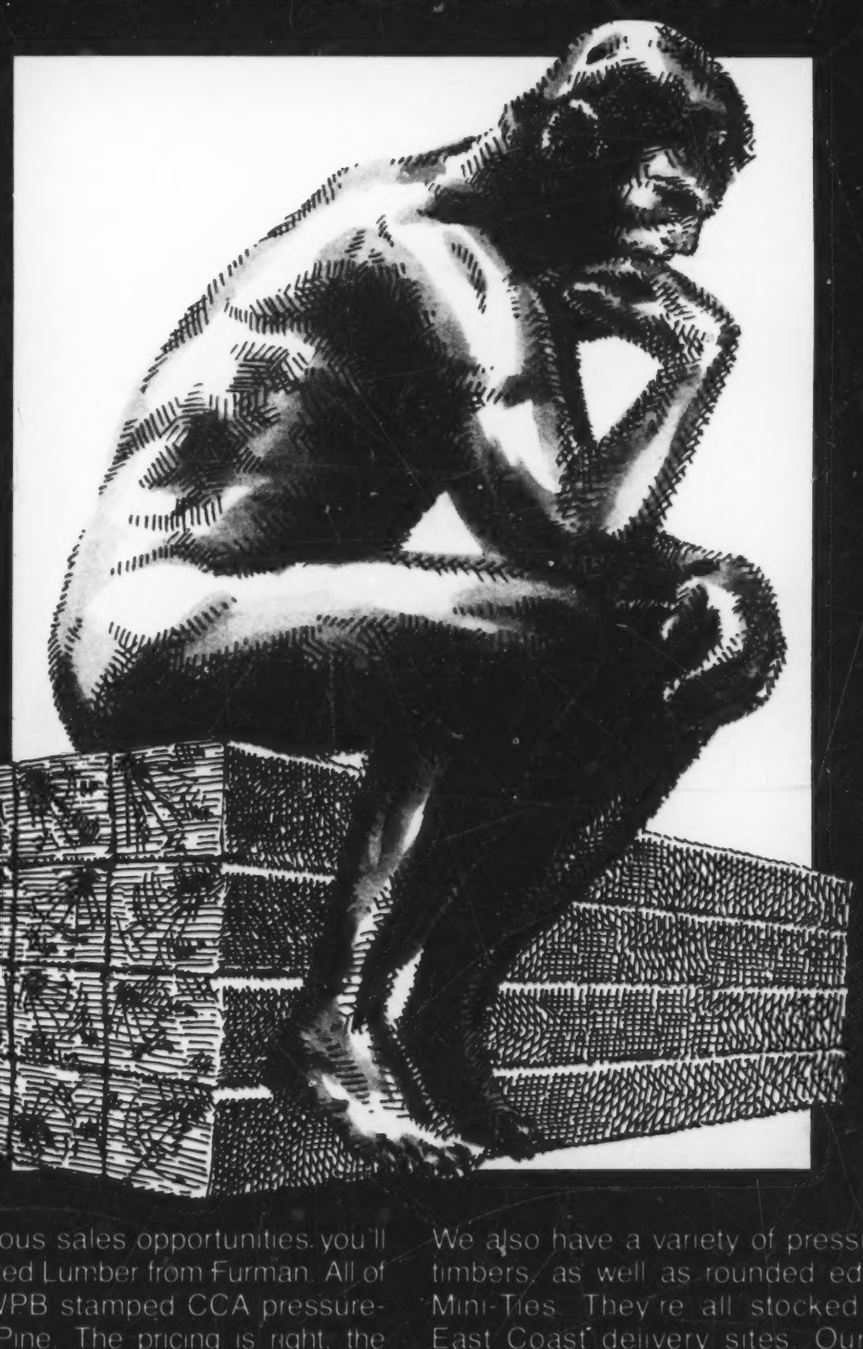

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STOCK PRICES

	As of 11/8	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	38	47⅜	33¾	22
Edison Bros. Stores (NYSE) [Handyman, Homer's]	39⅛	46¾	25¾	11
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	12⅞	19½	7	—
Forest City (AMEX)	14	15¾	8⅝	40
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	44⅞	50⅜	35¾	14
Lowe's (NYSE)	21½	32¾	16⅞	19
Michigan General (AMEX) [Diamond Lumber]	9⅜	14	1⅞	—
Pay 'N Pak (NYSE)	16	24	15¼	15
Payless Cashways (NYSE) [Furrow]	24⅛	34½	19	19
Scotty's (NYSE)	15¼	21⅛	14⅛	15
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	12¾	16½	9⅞	—
Standard Brands Paint (NYSE)	22½	28¾	17⅞	15

Nasdaq—over-the-counter stocks

		As of 11/8	52-week High	52-week Low	P/E Ratio
Color Tile		17⅜	28	13⅝	—
Hechinger	A	21¾	22¾	19¾	—
	B	21¾	30¾	15⅛	—
The Home Depot		23	31¾	8⅞	—
Pay 'n Save		24⅞	27⅝	13	—

Over-the-counter stocks

	As of 11/8 Bid	As of 11/8 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18	20½	25	11
Hines Lumber	30	32	31	15¼
Home Centers of America	10	10¼	15½	5
Home Centers of America [units]	31	32½	51½	13¼
National Lumber	11¼	11¾	13¼	10
Scotts Seaboard [Scott's]	3	3½	5	⅝
Wolohan Lumber	6½	6⅝	10⅛	5

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Edison Bros. Stores	10/1-3rd qtr.	$249,302	$222,811	12	$10,395	$4,567	128
Erb Lumber	9/30-3rd qtr.	43,114	29,531	46	1,309	909	44
Hines Lumber	9/30-3rd qtr.	70,947	50,675	40	1,596	628	154
Lowe's	10/28-5 wks.	148,300	115,400	29	—	—	—
Michigan General	9/30-3rd qtr.	40,959	38,782	6	914	– 6,800	—
National Lumber	9/30-3rd qtr.	30,571	26,046	17	902	580	55
Scotty's	10/29-4 wks.	31,642	23,624	34	—	—	—

*$ in thousands

Source: Company reports

Nat'l Lumber net rises 55% in qtr.

SANTA ANA, Calif.—National Lumber produced a 55% increase in net earnings on a 17% rise in sales during its third quarter ended Sept. 30, president Melvin Jaffee said in the company's first quarterly financial report since the completion of an initial 1.5 million-share offering on Oct. 4.

Earnings for the period reached $902,084 on sales of $30.6 million.

Jaffee attributed the results to improving economic conditions and National's continuing price-leader strategy in its 12 stores in southern California. The company plans to open four more stores.

Remodeling spurs Pay 'N Pak gain

KENT, Wash.—Pay 'N Pak's store remodeling and remerchandising program (*NHCN*, May 23) has started to pay dividends.

Chairman David J. Heerensperger cited the changes as a major contributor in a 61% increase in net income to $3.1 million on a 41% rise in sales to $74.5 million during the company's second quarter ended Aug. 31 compared to the same period a year ago.

In addition, store-for-store sales increased 33% in the quarter.

The 100-store chain will complete the remerchandising, which covered about half of the company's stores through the first two quarters, in the remainder of the outlets by the close of the fiscal year in February, Herrensperger said.

Major changes

The changes include the introduction of lumber and building materials and lawn and garden products in all stores, elimination of automotives and sporting goods, expansion of selections in hardware, paint, tools and millwork and higher gondolas.

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TRADE CLASSIFICATION *Check primary one*
A ☐ Wholesaler
B ☐ Retailer
C ☐ Manufacturer
D ☐ Mfgrs. Agent
E ☐ Import/Export
F ☐ Other:

TITLE/FUNCTION
A ☐ Owner/CEO/Pres.
B ☐ VP/GM/Div. head
C ☐ Merch. Mgr.
D ☐ Buyer
E ☐ Other:

WHOLESALERS ONLY
Ck best definition
A ☐ Independent Wholesaler with member stores
B ☐ Independent Wholesaler
C ☐ Co-op/Chain Headquarters

PRODUCTS YOU SELL *Ck all appropriate*
A ☐ Hardware
B ☐ Lawn & Garden
C ☐ Housewares
D ☐ Hand & Power Tools
E ☐ Automotive
F ☐ Plumbing
G ☐ Electrical
H ☐ Bldg. Supply materials/tools
I ☐ Heating/cooling
J ☐ Outdoor Living
K ☐ Sporting Goods
L ☐ Paints/sundries
M ☐ Wall coverings
N ☐ Floor coverings
O ☐ Ceiling products
P ☐ Lumber/plywood
R ☐ Furniture: KD, outdoor, indoor
S ☐ Major appliances
T ☐ Kitchen cabinets
U ☐ Bathroom fixtures

RETAILERS ONLY
Check 1 of each
A ☐ Hardware store
B ☐ Home Center
C ☐ Lawn & Garden/patio
D ☐ Mass Merchandiser/ Disc. store
E ☐ Lumber/Bldg. supplies
F ☐ Automotive supplies
G ☐ Other:

NUMBER OF STORES
H ☐ One store
I ☐ 2 - 4 stores
J ☐ 5 or more stores

TOTAL ANNUAL SALES
K ☐ up to $500,000
L ☐ $500M to $1 million
M ☐ 1 to 5 million
N ☐ over 5 million, indicate to nearest million:

TYPE OF OPERATION
O ☐ Co-op/Member Dealer
P ☐ Independent
R ☐ Chain

Solid 3rd qtr. for Evans' retail

PORTLAND, Ore.—Consumer spending continued to rise and contractor sales rebounded from a year ago during the third quarter to help push operating income up 16% and revenues up 17% for Evans Products' retail group, officials reported.

The group's earnings rose to $25.1 million from $21.7 million in the third quarter of 1982 while revenues increased to $273.9 million from $233.8 million a year ago, they noted.

However, as in past periods, the impressive retail results failed to put Evans as a whole in the black.

The company lost $6 million in the quarter, an improvement over the $10.7 million net loss in the third quarter last year but still resulting in nearly $25 million in losses so far this year. Company revenues did rise 7.5% to $375,963,000 in the most recent three-month period.

The main contributors to the third quarter loss were Evans' transportation systems and industrial group, which is suffering from a depressed railcar market, underutilization of its lease fleet and a $4.8 million loss relating to a short-line railroad's financial difficulties, and its home finance subsidiary.

Erb Lumber net climbs in 3rd qtr.

BIRMINGHAM, Mich.—A 46% rise in revenues helped Erb Lumber increase its net profit by 44% to $1.3 million in the third quarter compared to last year, officials reported.

Sales to builder customers led the way to the rise in revenues to $43.1 million in the quarter as they have in the first nine months of the year, they noted. Erb revenues are up 43% to $103.7 million for the first three quarters of the year to help push profits to $2.2 million.

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METRO MARKET OUTLOOK:
The competition gets hotter—pp. 27-42

National
Home Center News ®

Vol. 10, No. 1 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 2, 1984

Ole's set to buy Neiman-Reed's Lumber City

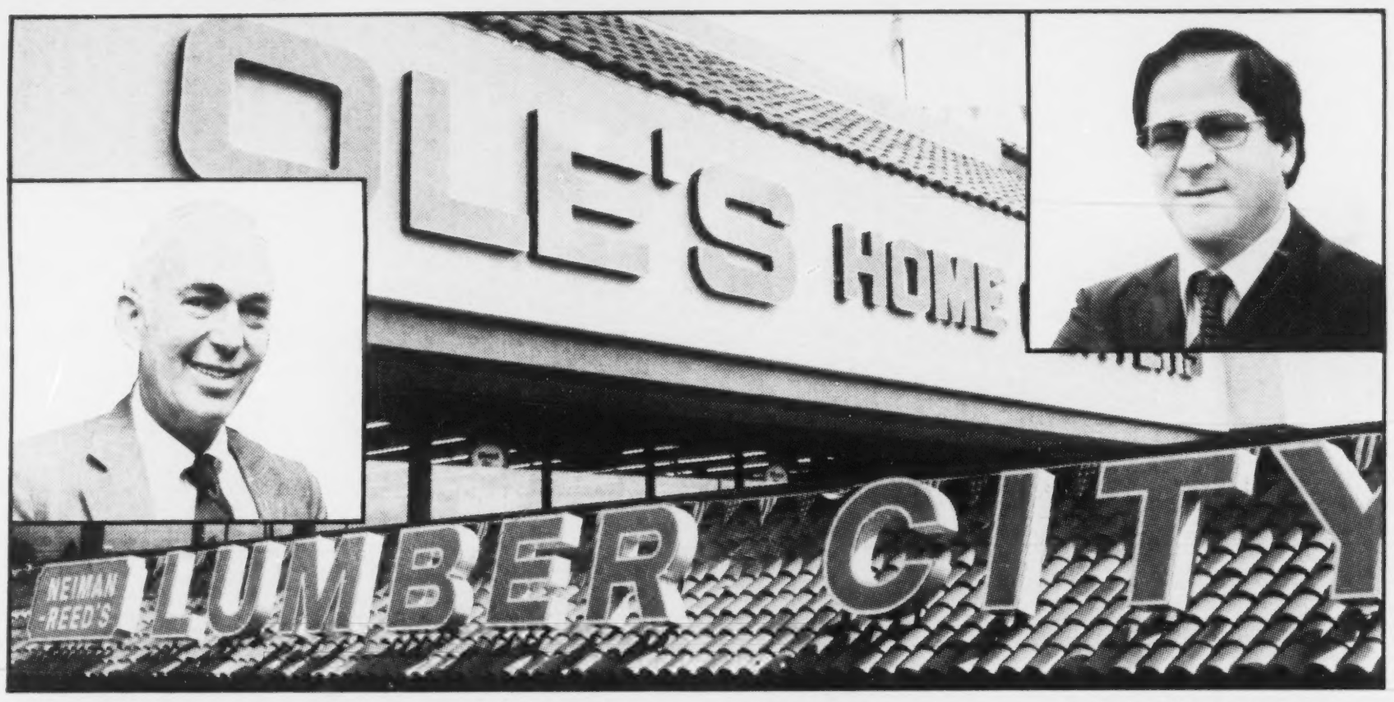
Officials confirm talks under way

By Brad Altman
NHCN West Coast editor

PASADENA, Calif.—Ole's Home Centers, the 35-unit chain based here, announced it is negotiating the purchase of Neiman-Reed's Lumber City, operator of 12 home centers and a wholesale lumber division primarily in the San Fernando Valley north of Los Angeles.

Officials for both chains confirmed that negotiations were taking place but declined to discuss additional details until an agreement in principal has been signed. (Such an agreement had not been reached at press-time late last month.)

(Continued on page 50)



Ole's president Harvey Knell (right) is negotiating with Neiman-Reed co-founder Robert Neiman over the purchase of the 12 Lumber City outlets by 35-store Ole's. NHCN photo

Ole's rolls out new whse image

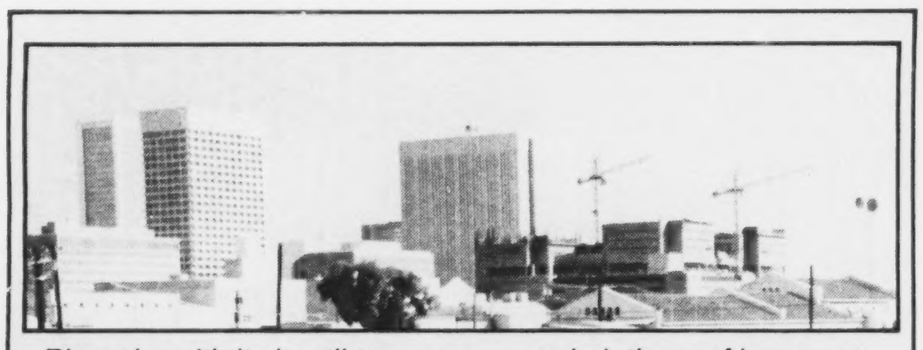
PASADENA, Calif.—As part of a multimillion dollar chainwide move to alter its image, Ole's Home Centers is rapidly completing the conversion of all of its stores toward a modified warehouse format.

The "new Ole's" will feature a greater use of warehouse racking, lowered prices and a refined merchandise mix.

News of the conversion overshadowed the late November opening of the chain's 35th store, a 40,000-sq.-ft. home center in Rialto, Calif.

Together with the chain's announcement late last month of plans to acquire 12-unit Nei-

(Continued on page 50)



Phoenix, with its bustling economy and plethora of home center stores, typifies the fierce intensity of the battle for today's DIY dollar. NHCN photo

Chain invasion ignites bid for Phoenix market share

PHOENIX—The rapid invasion of home center chain outposts in the nation's Sunbelt over the past five years is transforming the landscape of a booming retail home improvement market into a battlefield.

At stake is more than a piece of today's do-it-yourself dollar.

W. R. Grace, Payless Cashways, Home Depot and other high-powered home center operators are clearly striving to carve out Sunbelt market strongholds.

Until five years ago, the invasion of these outposts represented mostly a new challenge for local and regional independents. But as the promise of Sunbelt market growth continued to lure more and more chain outlets into each market, the bid for retail home improvement sales has erupted into a high-stakes battle for market share, leaving independents increasingly hard pressed to find new ways to match an escalating ante.

Perhaps no single market better typifies the new intensity of this battle better than Phoenix.

"Competition at the DIY level has been the fiercest I've ever seen—it's been brutal," declared Paul Conley, assistant gm of O'Malley Building Materials, the Phoenix-based chain operating nine stores here.

And that, said Conley, was before the arrival of The Home Depot.

The Atlanta-based chain of warehouse home centers "arrived" in Phoenix Thanksgiving weekend with two new stores and a flurry of promotions.

Home Depot's debut, in concert with the agressive expansion of Payless Cashways, the Kansas City, Mo.-based chain which is readying a fifth Phoenix outlet (due open by June) has touched off a major promotion battle here.

W. R. Grace currently operates 11 Angels Home Centers in the area; Handyman, the 77-store San Diego-based chain runs five; 84 Lumber has one store in nearby Mesa, and Foxworth-Galbraith, Dallas, operates a 5-acre, 45,000-sq.-ft. home center here. That's in addition to several independents, including Ray Lumber, which relies on a contractor sales base, and Odds and Ends Building Materials, which shuttered a Chandler, Ariz., store in November, and now has a store in Phoenix and Flagstaff.

(Continued on page 42)

K mart eyes separate DIY units; adding 222 home center depts.

TROY, Mich.—K mart, the nation's second-largest retailer, has revealed it is investigating opening freestanding home centers perhaps as early as the end of 1984 that would resemble the in-store home improvement departments it has installed in over 40 of its 2,160 discount stores.

However, company officials told *NHCN* that K mart's "impetus" in 1984 would be the remodeling and remerchandising of 222 more stores with similar home improvement departments. In 1983, the chain converted 42 of its stores' DIY departments to the new format.

K mart's home center coordinator Art Messina said this prototype could eventually be incorporated into all of the 1,500 K mart stores that carry lumber and building materials.

"This expansion program is going to take up the bulk of our efforts this year," said Justin Godchaux, a former New Orleans Home Depot store manager who was recently hired by K mart to study the feasibility of operating freestanding units.

Last month, K mart president Samuel Leftwich said in an interview with *Advertising Age* that freestanding home centers would probably be tested by K mart in 1984, while adding that the concept had neither been fully developed nor have sites been selected.

Godchaux, who will report to Messina, confirmed that the $19 billion chain's plans for freestanding units are still on the back burner, but are heating up. "We're nowhere near getting it off the ground, but we are investigating the possibilities," he said.

Godchaux emphasized that the chain is currently weighing

(Continued on page 49)

Retailers fear heater price erosion

Kero-Sun files for Chapter 11 protection

By John Caulfield
NHCN senior editor

KENT, Conn.—Almost a year ago, rumors flew across the exhibition hall of the Winter Hardware Show in Las Vegas that Kero-Sun, the nation's largest kerosene heater marketer, had filed for bankruptcy. Eleven months later, the rumors have come true.

In response to legal pressure by three of its unsecured creditors, the $300 million Kero-Sun filed in Hartford, Conn., on Dec. 6 to be placed under the protection of Chapter 11 of the U.S. Bankruptcy Code.

Under Chapter 11, the company will reorganize and continue to dispose of its inventory —currently more than 300,000 unsold heater units—through ALCO Capital Corp., a New York-based company specializing in liquidations.

ALCO and Kero-Sun officials insist the company is not engaged in a going out of business sale, and said that its inventory—some of which is two years old—is being marketed through Kero-Sun's normal distribution network.

However, home center dealers and wholesalers are concerned that Kero-Sun's placing so much inventory at discounted prices into a market already glutted with more than two million unsold heaters will only further erode prices and margins below the levels last winter when the weather was mild and everyone appeared to have trouble selling the units.

Consequently, both dealers and distributors have bought their winter kerosene heater stock cautiously this year, and

(Continued on page 50)

NEWSBREAKS

NEW GROSSMAN'S DIVISION. Grossman's has formed a new warehouse division to be headed by Frank Lynch, formerly general manager of the chain's West Coast division.

INSIDE:

LOWE'S HAS BOUGHT four Homecrafters Centers in Nashville, which are being converted to open as Lowe's outlets .. Page 2
HECHINGER APPEARS to be moving toward a warehouse format as the company tinkers with its standard prototype Page 2
VROOM & DREESMAN is taking another stab at the home center business after purchasing a minority interest in Philadelphia-based Mr. Goodbuys ..... Page 3
SUTHERLAND LUMBER debuted HouseMart, its new 101,000-sq.-ft. retail warehouse operation ..... Page 3
HOME DEPOT'S new Phoenix units reflect the chain's trend toward carrying higher-ticket merchandise ..... Page 4
MORE HOME CENTERS are utilizing cantilever racking to enhance the display and handling of commodity products Page 15
1984 DIY INDUSTRY CALENDAR OF EVENTS ... Pp. 43-44

NHCNews Briefs

Industry Update

Payless '83 sales increase 44%

KANSAS CITY, Mo.—Surpassing even its own executives' expectations, Payless Cashways' sales for the fiscal year ended Nov. 26 rose 44% to $863,786,000, with November volume jumping to $73,750,000, a 46% increase.

Comparable store sales in November were up 24%, and rose 18% for the year. Dollar figures are not released by the chain. The 121-unit chain's earnings data will be reported on Jan. 6.

Payless' directors also voted to increase the company's dividend on its stock from 3¢ to 4¢ per share, payable Jan. 17, and agreed to form another district, Payless' 16th.

District 17 (the company has no District 13, because "nobody wants the bad luck," said senior vp Dick Hemer) will encompass Payless' two Tucson, Ariz., stores, its unit in El Paso, Tex., and the three Tucson-based Wood Brothers units Payless took over on Dec. 1.

Heading up the district is Eric Peterson, a 10-year lumber materials veteran who most recently managed Payless' Lumberjack unit in Auburn, Calif. Peterson's promotion set off a chain reaction of personnel changes in the company.

BE to shift 4 Calif. units

IRVINE, Calif.—Builders Emporium will close four northern California units early this year—three in Sacramento and one in Stockton.

The chain plans to open four new stores elsewhere in California almost at the same time, company officials said, maintaining the chain's store count at 60 units.

In 1983, BE closed two stores, both in Los Angeles County, but did not open any new stores. BE's last store to open was in Sunnymead, Calif., in June 1982, two months after parent Wickes Cos. began Chapter 11 bankruptcy proceedings.

The northern California store closure decision was prompted by "inadequate and poorly located facilities," according to a BE statement.

First Pergament whse opens

BETHPAGE, N.Y.—Pergament opened its first warehouse-style store here last month and while the store front still labels the unit as "Pergament," the unit has promoted itself as the "homeowners new do-it-yourself depot" with "warehouse prices" in newspaper circulars and radio ads.

Following an industry trend, the chain's grand opening circular featured a "we will not be undersold" policy promising shoppers that Pergament Home Centers "will beat any current price by 5% on any merchandise we sell." It also announced drawings for free prizes such as a color television and a video tape recorder.

The chain relocated its Bethpage home center, moving the unit from a 55,000-sq.-ft. lower level to a 70,000-sq.-ft. main level in the same shopping center (*NHCN*, Nov. 7, 1983), according to Pergament officials.

Homeowners' ceo given stock

GARDENA, Calif.—Hal Smith, the 32-year-old president and ceo of Homeowners DIY centers headquartered here, has acquired an ownership interest in the five-unit chain.

Founder and chairman Louis Share, 62, said that Smith has received "some of the stock" of the privately held corporation which previously had been solely owned by Share and his wife. Share declined to disclose Smith's percentage stake in the company.

Smith joined Homeowners in 1979 and last March became chief executive. Smith "has proven himself in every way," said Share. His part-ownership "is good for the future of the company—it provides continuity and a reward for Hal Smith's services." Homeowners posted a record $28 million sales in 1983.

National Home Center News

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Vol. 10, No. 1 January 2, 1984

$50M budgeted for '84 expansion

Lowe's adds 3 Nashville stores

By Greg Puchalski
NHCN senior editor

NASHVILLE—Lowe's will increase its store count here from one to four later this year when it debuts four outlets acquired from Homecrafters Centers for an undisclosed price.

At the same time, the North Wilkesboro, N.C.-based chain will close its only existing Nashville store, a nearly 10,000-sq.-ft. unit, which will move across the street into one of the larger Homecrafters facilities.

Union Camp, Homecrafters Centers' parent, had already closed the four Nashville locations along with a fifth store there that was not involved in the Lowe's transaction. Union Camp is leaving the DIY retail business with the sale of its 33 stores to Homecrafters Warehouse (*NHCN*, Dec. 12, 1983).

Homecrafters Warehouse has filed with the Securities and Exchange Commission for permission to sell two million common shares for $14 to $16 per share. The proceeds are to be used for the 33-store acquisition as well as the opening of warehouse-style units in Memphis and Denver.

William Brantley, vice president-investor relations for Lowe's, said the company will remodel and remerchandise the four Nashville units, which average close to 20,000 sq. ft., into its RSVP-style format. Officials plan to reopen the stores in the spring-summer months.

"These stores will give us the kind of impact in Nashville that three stores give us in Charlotte [N.C.] and our two stores give us in Winston-Salem [N.C.]," Brantley said. "They became available in a market area in which we wanted to do more."

The four Nashville outlets will be part of Lowe's projected 5% growth in store count during fiscal 1984 (*NHCN*, Dec. 12, 1983).

The company's board of directors has approved a better than $50 million capital expenditure budget for 1984 expansion.

Lowe's opened a store with the largest sales floor to date for the chain on Nov. 26 in Mauldin, S.C. The new store, which has a display area covering 20,250 sq. ft., compares with a chain average of just under 11,000 sq. ft.

By the close of fiscal 1983 later this month, Lowe's will have boosted its store count to 240 and its retail selling space to about 2.5 million sq. ft. by debuting new units in Springdale, Ark., Douglasville and Griffin, Ga., and New Iberia, La., officials said.

The renewed expansion activity comes at a time when Lowe's is enjoying a stellar year financially.

Net earnings in the third quarter ended Oct. 31 were up 76% from the prior year to $14.2 million, to lift three-quarter profits to $41.1 million, officials said. The quarter's sales increased 38% to $382 million to push Lowe's over the $1 billion mark in annual volume for the second straight year.

Feds deregulate F.H.A. mortgage interest rate

WASHINGTON—Government control over interest rates on mortgages insured by the Federal Housing Administration will end soon, after nearly 50 years, raising concern that a common source of home financing will become more costly.

In the absence of Federal control, FHA interest rates will now be negotiated between lender and borrower.

The change was brought about by provisions in a housing authorization bill Congress passed at the close of its session last year, and signed by President Reagan. It settles a two and one-half year battle on Capitol Hill.

Part of the same housing authorization bill provides $15.6 billion for housing assisted programs.

Housing industry observers warn that the deregulation of FHA backed mortgage interest rates will have a detrimental effect on the home construction industry. The FHA rate has been about one percentage point lower than conventional mortgage rates, running most recently around 12½% for a 30-year fixed loan.

The effective rate of FHA insured mortgages is expected now to rise to market levels.

According to a recent National Assn. of Home Builders survey, 50% of first-time buyers purchasing new condominium units, and 45% of first-time buyers purchasing new single-family homes used FHA-insured mortgage loans.

Hechinger tests whse plans by tinkering with prototype

NEW YORK—Hechinger is moving toward a warehouse format, carefully, but deliberately.

"It's in our plan to give it a whirl, to try it out," John Hechinger, president, told analysts at a financial seminar here recently.

While the company perhaps operates the home center industry's definitive "super stores," with 40,000 stock keeping units in 60,000-sq.-ft. units, last year it began tinkering with its prototype.

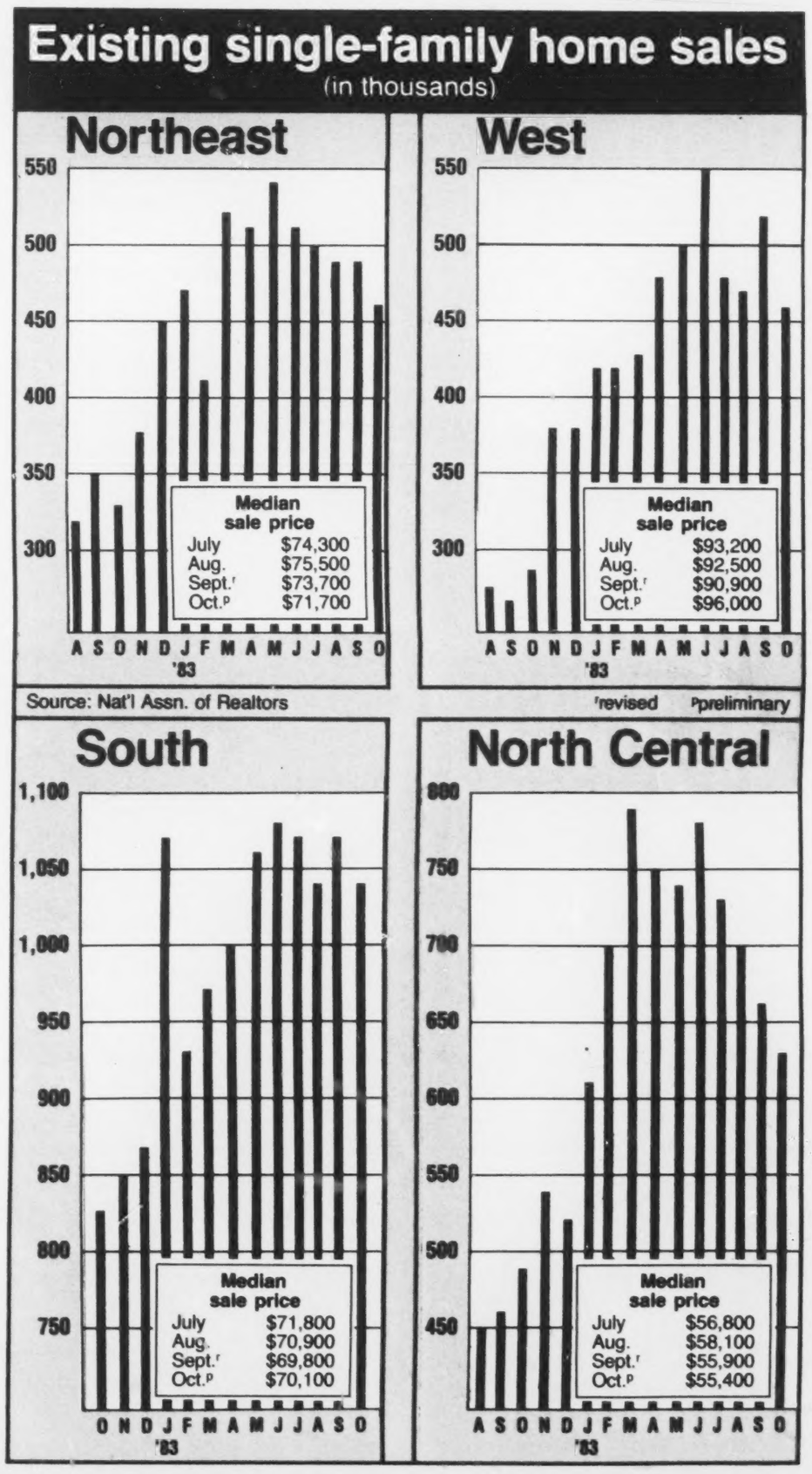
In October, for the first time, a Hechinger store was opened, in Durham, N.C., without a wall separating the 40,000 sq. ft. of gleaming retail space from the adjacent and less attractive 20,000-sq.-ft. building materials area.

Although John Hechinger said that it is too soon to assess the impact of the prototype change, the company will continue to build its stores without the dividing wall.

A fill-in Philadelphia store opened Dec. 3 without the wall and a Baltimore fill-in store scheduled for opening Dec. 17 was also expected to have the new look.

Of the seven stores scheduled for opening this year, most will adopt the change, Hechinger said. He termed it part of an evolution with other innovations to come, but not this year.

"There are other plans," he said, "but no announced plans."



Existing home sales in October slowed 4.8% over the previous month to 2.59 million units but remained considerably higher than a year ago. Nationwide, median sales prices rose by $500 over the revised September figure to $70,400. The largest rises were seen in the West region with a massive $5,100 price rise over the revised September figures.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	10/29-3rd qtr.	$ 78,028	$ 62,856	24	$ 3,640	$ 3,001	21
The Home Depot	10/30-3rd qtr.	64,083	28,727	123	2,291	1,303	76
Lowe's	10/31-3rd qtr.	381,961	277,627	38	14,173	8,040	76
Pay 'n Save	10/29-3rd qtr.	284,049	254,951	11	6,806	3,328	105
Rickel Home Centers	10/29-3rd qtr.	69,700	58,466	19	—	—	—
Standard Brands Paint	10/30-3rd qtr.	79,613	70,390	13	5,418	4,078	33
Wickes	10/29-3rd qtr.	751,802	679,012	11	19,436	−75,823	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 12/1	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		44	47⅜	33¾	25
Edison Bros. Stores (NYSE) [Handyman, Homer's]		42½	46¾	25¾	12
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		9⅝	19½	7	—
Forest City (AMEX)	A	14¾	15¾	9	42
	B	13⅞	13⅞	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		46¼	50⅜	35¾	14
Lowe's (NYSE)		23¾	32¾	17¼	18
Michigan General (AMEX) [Diamond Lumber]		9¾	14	2⅛	—
Pay 'N Pak (NYSE)		17½	24	15¼	16
Payless Cashways (NYSE) [Furrow]		25	34½	19	20
Scotty's (NYSE)		16	21⅛	14⅛	16
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		15½	16½	9⅞	—
Standard Brands Paint (NYSE)		23	28¾	17⅞	13

Nasdaq—over-the-counter stocks

		As of 12/1	52-week High	52-week Low	P/E Ratio
Color Tile		17⅛	28	13⅝	—
Hechinger	A	21¼	24¼	19¾	—
	B	22	30¾	15⅛	—
The Home Depot		24¾	31¾	10¾	—
Pay 'n Save		27⅝	27¾	13½	—

Over-the-counter stocks

	As of 12/1 Bid	As of 12/1 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	22	25	12¼
Hines Lumber	36	37½	41½	15½
Home Centers of America	9¾	10¼	15½	5
Home Centers of America [units]	31¾	33½	51½	13¼
National Lumber	11	11¼	13¼	10
Scotts Seaboard [Scott's]	3¼	3¾	5	⅝
Wolohan Lumber	5½	5⅞	10⅛	5¼

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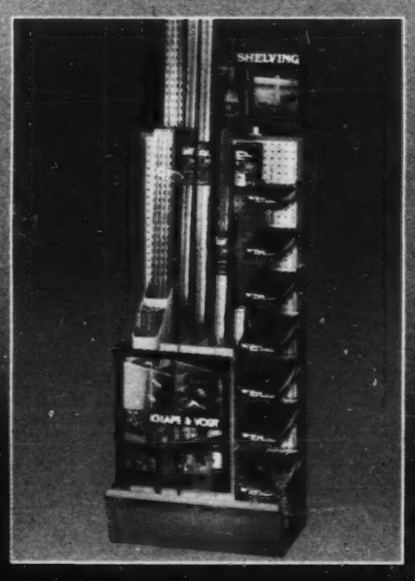

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FINANCIAL NEWS

Wickes shows 3rd quarter profit but ceo sees long road ahead

SANTA MONICA, Calif.—Despite showing a net profit of $19.4 million in its third quarter ended Oct. 29, Wickes still has a long way to go before returning to good health, according to chairman and chief executive officer Sanford C. Sigoloff.

"Many of Wickes' businesses were in worse shape than was evident to most people," he said. "Those in the poorest markets, with little hope of rehabilitation, were either sold or closed. Most of the businesses we have retained have shown good progress, but are now just beginning to move out of the crisis stage."

He added that many of the company's business units must catch up with the marketplace after having lost much of their competitive edge and a significant portion of their customer bases.

"Our task now must be to better define our market niches and take the actions necessary to penetrate those targeted segments," Sigoloff said. "This will require minor modifications in some units and major shifts in others."

Wickes' net income in the third quarter included $700,000 of income from discontinued operations and an operating loss carryforward of $9.6 million, officials said. Wickes had a net loss in the same quarter a year ago of $75.8 million, which included a $75 million reserve for the sale or liquidation of Wickes' Aldens catalog unit and its related operating losses.

Wickes' third-quarter sales were up 11% to $751.8 million.

Income from continuing operations before taxes was $19.5 million for the period, against $3 million last year, and included a pretax gain of $10.4 million from the sale of an investment and another $2.3 million pretax gain related to the repaying of notes receivable.

Income from continuing operations after taxes totaled $9.2 million, up from $3.4 million in the third quarter of 1982.

Depot earnings, total sales rise; margins decline

ATLANTA—While The Home Depot continued to score impressive gains in sales and earnings during its third quarter ended Oct. 30, the 18-store chain watched its gross profit percentage decline as planned.

In the quarter, the company's gross profit was 27.3% compared to 28.7% a year ago. In each quarter of the current fiscal year, gross profit has declined from the comparable period of the previous year.

"Our biggest disappointment is that we feel our margins are too high," chairman Bernard Marcus told security analysts in New York in September (*NHCN*, Oct. 10, 1983). He promised that as volume increased, margins would come down.

And, volume has increased. In the most recent quarter, sales were up 123% to $64.1 million to help net earnings rise by 76% to $2.3 million, according to officials.

The Home Depot was operating 16 units, including two opened in the last two weeks of October, by the close of the quarter compared to eight at the same time last year. It opened two units in Phoenix in November (*NHCN*, Dec. 12, 1983).

In the third quarter, the company incurred preopening expenses of $844,000, including costs of opening in Phoenix, officials said.

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LUMBER REPORT

Production and shipments rise as lumber market feels recovery

NATIONAL REPORT—Lumber dealers are expecting a good year, particularly those in the South and West, where 95% and 100%, respectively, are more optimistic now than they were at the beginning of 1983, according to a recent survey by Random Lengths.

The mail poll of 140 retailers operating 1,102 units also confirmed that 1983 was a good year, with 85% of respondents reporting sales increases over 1982; 75% reported profit increases.

About half of the dealers surveyed said that they planned to build inventories between now and spring, with Northeastern retailers most often responding that they would be buying more wood.

Dealer emphasis on DIY customers also declined somewhat, with 80% of the respondents reporting that the majority of their sales go to homebuilders.

The resurgence of homebuilding along with sustained strength in the repair and remodeling market also made 1983 a year of recovery for lumber wholesalers and producers.

Preliminary results of a survey by the North American Wholesale Lumber Assn. indicated that its 360 wholesale member companies reached $7 billion to $8 billion in combined volume last year compared to $5.5 billion during 1982.

Perhaps the extent of 1983's rebound is most apparent in the lumber production and shipment numbers compiled by the Western Wood Products Assn., comparing the first nine months of 1983 with the same period in 1982. Total United States softwood production was up 24% to 19.5 billion board feet, while shipments rose 25% to 19.1 billion board feet, according to the WWPA.

In terms of producing region, the coast area of the Northwest experienced the greatest gains in both production and shipment, up 36% and 40%, respectively.

By far, the greatest amount of coast region shipments were to the West, 2.7 billion board feet, followed by the South, 457 million board feet. However, the greatest increases in shipments from the coast region were experienced by the North Central and Northeast, where board shipment was up 61% and 54%, respectively.

Average lumber prices rose a modest 10.2% between September 1982 and September 1983 in the coast region, according to the WWPA. But that relatively slight increase compared to the growth in production and shipment does not reflect the price strength lumber achieved last spring and the fact that prices are again climbing.

Also, lumber imports from Canada continue to affect suppliers. According to Commerce Department figures, 38% more lumber came from north of the border during the first nine months of 1983 than in the same period a year earlier.

A total of almost 8 billion board feet were imported from Canada through September, which equals about 29% of the lumber shipped in the United States during that time.

FUTURES

Two weeks ended Dec. 8, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '84	184.70	174.90	178.60	182.90	2,762	234.00	170.50
March	196.50	187.30	192.90	194.00	2,154	240.50	184.80
May	206.50	194.20	197.40	202.30	947	245.50	194.20
July	214.00	201.00	202.80	210.10	335	252.50	201.00
Sept.	216.40	202.50	202.80	212.10	353	236.00	202.50
Nov.	217.00	202.50	202.80	213.90	140	229.00	202.50
Jan. '85	221.80	208.00	208.00	216.00	18	221.30	208.00

Total Contract Vol. (Through 12/8): 23,163 — Previous Two Weeks: 20,151
Total Open Interest (As of 12/8): 6,709 — Previous Week: 6,763
Cash Price: $170.52 — Previous Week: $168.56 — Year Ago: $156.80

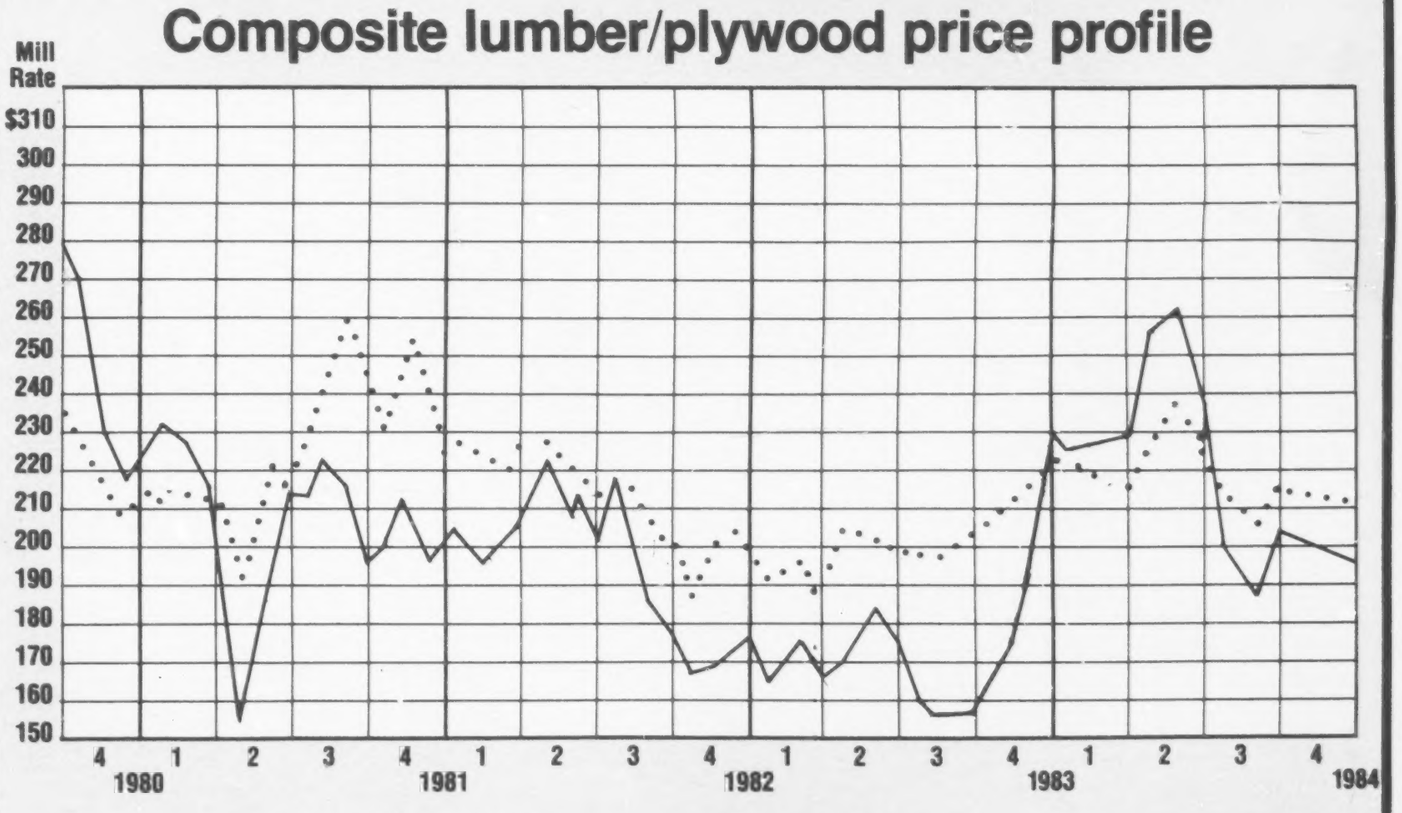
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '84	200.30	194.50	199.00	198.50	320	223.00	179.70
March	205.00	198.50	203.00	202.70	206	225.00	183.00
May	207.50	202.60	206.00	205.20	67	207.00	187.50
July	210.00	204.50	208.00	207.00	29	210.00	190.50
Sept.	209.00	206.00	209.00	208.00	1	212.50	201.00
Nov.	No	trading	—	—	—	—	—

Total Contract Vol. (Through 12/9): 323 — Previous Two Weeks: 349
Total Open Interest (As of 12/18): 623 — Previous Week: 623
Cash Price: $196.00 — Previous Week: $194.04 — Year Ago: $190.12

COMMODITY RESEARCH BUREAU INDEX:	This Week 272.9	Previous Week 272.5	Year Ago 233.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 12/8.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



——— Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

Several factors caused lumber and plywood prices to bounce somewhat in October before leveling in *Nov.* Basically, demand remained strong, although the pipeline was lean. And a strike by British Columbia lumber workers loomed ominously.

Going into winter some are looking for a further rebound in prices caused by roughly the same reasons. Dealers could start rebuilding inventories. They are looking forward to a good year.

The framing lumber composite in October was $202 per thousand board foot; for plywood, $217 per thousand square foot. Framing dropped to $195 in November and plywood fell to $211.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

NHCN's 1984 METRO MARKET OUTLOOK

Expanding chains vie on hot turfs

Sunbelt competition sizzling; other markets are heating up

NATIONAL REPORT—The accelerated expansion and hypercompetitiveness that characterized the home center industry in 1983 should continue this year, certainly through the first several quarters.

While interest rates remain something of a question mark, November's election, in the eyes of many observers, will provide strong incentive to keep the economic recovery on track.

Many metro markets can expect to benefit from this home center activity. Some, like Houston with 22 Handy Dans and eight Payless Cashways, along its highways, have had long-time romances with the industry that promise to become even more torrid this year as at least two warehouse chains come courting.

Other markets, like Tucson and Indianapolis, are just beginning to explode. In Tucson, both Payless Cashways and Phoenix's O'Malley Building Materials last year took the acquisition route to penetrate the area with stores. Those moves were probably just the beginning of the assault by both chains. And The Home Depot, which is now heating up retailing in Phoenix, could soon drop a few stores in Tucson.

In Indianapolis, several major chains, including Payless are going head-to-head and recently Sutherland Lumber and Central Hardware launched warehouse store assaults on the market.

Still other markets, like Albuquerque, seem to be relatively dormant Sunbelt centers with huge potential that could soon explode with building material retailing competition.

For one thing, Americans are again on the move. While realtors and home builders warn that housing affordability still eludes a great many people, sales of both new and existing homes improved dramatically last year. The growing acceptance of adjustable rate mortgages and favorable builder financing should keep housing momentum strong.

A few numbers demonstrate housing's improvement last year, prompted, to a large extent, by a decline in interest rates that saw the rate of conventional mortgages decline from about 15.3% in September 1982 to 12.9% 12 months later.

During those months, 2.7 million existing single-family homes were sold compared with 1.9 million for the same period a year earlier, according to the National Assn. of Realtors. That 43% increase, while substantial, is dwarfed by the 99% hike in condominium and cooperative apartment sales over roughly the same period, with 253,000 sold during the third quarter of last year compared to 127,000 during the same quarter of 1982, according to realtors.

And in 1983, new home construction bounced back from its worst year since World War II, with total housing starts expected to total about 1.6 million, about 60% greater than the production for 1982.

This increased transience had a beneficial effect on the sales of building materials which were up 16% for the first nine months of 1983 to $36.7 billion, according to the Census Bureau. For the first nine months of 1982, sales totaled $31.6 billion, according to the Bureau.

How those sales increases were played out in various United States markets is the subject of this *NHCN* special section. Besides the markets already noted, metro market studies in this issue also reveal that:

- Tulsa may be a market about to happen, with a burgeoning population drawn by aerospace and oil industry jobs. The first new home center in five years, a Sutherland warehouse, opened in September.
- St. Petersburg is hot and getting hotter. Despite The Home Depot's invasion last year and the opening of five new Scotty's, industry observers insist that there is still room for more competition.
- The Raleigh-Durham research triangle has many of the ingredients for home center prosperity, such as affluent, professional consumers and a growing housing stock. The area has been a rich source of sales for Lowe's and other chains, now including Hechinger.
- Phoenix, which has traditionally been a strong Sunbelt market for regional chains, is shaping up as an intense battlefield as The Home Depot and Payless Cashways, two of the industry's toughest competitors, face each other head-to-head for the first time in the fight for Phoenix's DIY dollars.

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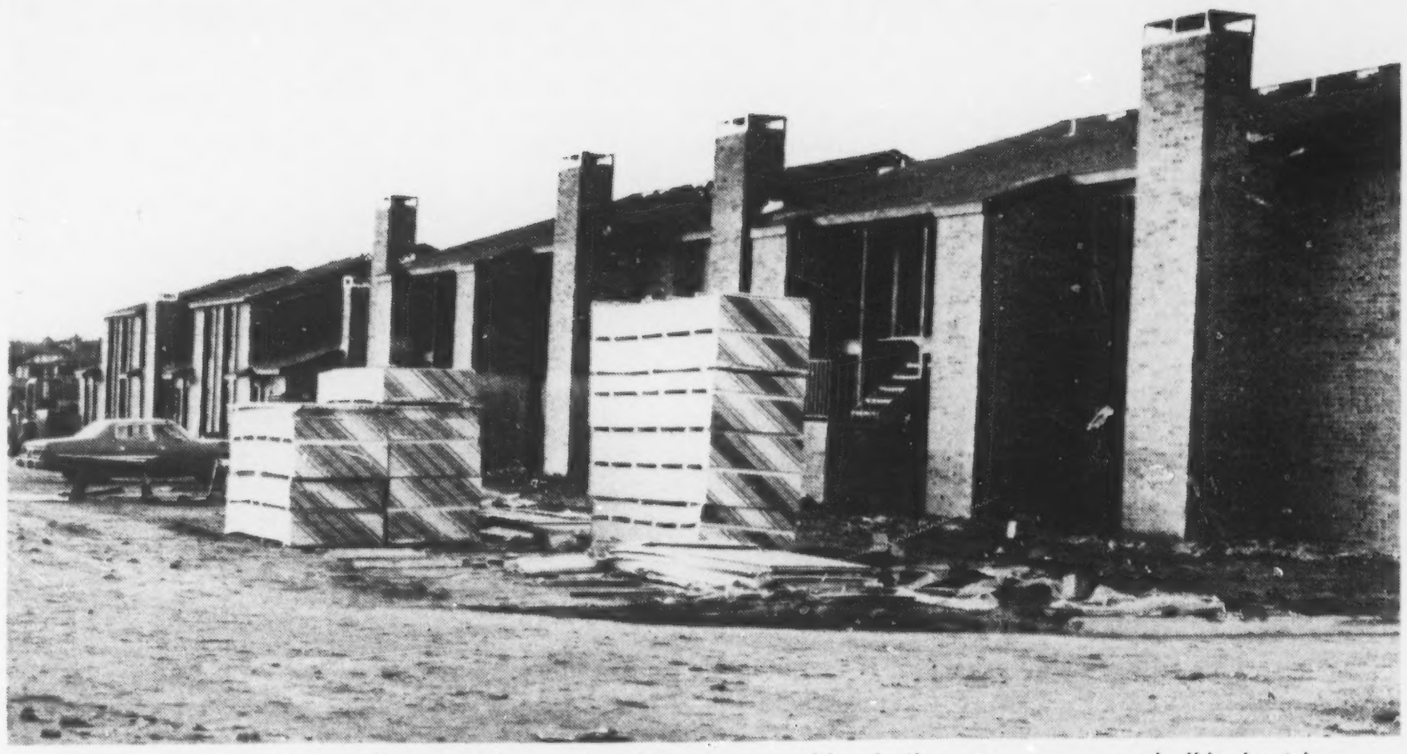

Apartment construction in Tulsa, Okla., where job opportunities in the aerospace and oil industries are spurring population growth and setting the stage for a boom in retail building materials sales.

NHCN photo

Retail building materials and hardware sales

1982 Rank	Metro area	Sales (in millions)
1	Los Angeles/Long Beach	$ 1,257.1
2	Chicago	944.7
3	Houston	874.9
4	Detroit	741.5
5	Washington, D.C.	717.5
6	Anaheim/Santa Ana, Calif.	667.6
7	Seattle	609.6
8	Minneapolis/St. Paul	601.5
9	Boston/Lowell/Salem/Lawrence/Brockton	599.3
10	Riverside, San Bernardino, Calif.	562.1
11	Philadelphia	556.4
12	San Diego	538.1
13	Atlanta	512.9
14	New York	508.1
15	San Jose, Calif.	415.2
16	Pittsburgh	406.3
17	Baltimore	381.9
18	Nassau/Suffolk, N.Y.	363.9
19	Sacramento, Calif.	360.7
20	Denver	353.7
21	Dallas	347.9
22	Phoenix	343.1
23	Tampa/St. Petersburg/Clearwater, Fla.	342.2
24	Oakland, Calif.	334.7
25	St. Louis	298.9
26	Miami/Hialeah	298.2
27	Cleveland	284.2
28	San Francisco	280.2
29	Fort Worth/Arlington, Tex.	278.6
30	Indianapolis	269.1
31	Charlotte/Gastonia/Rock Hill, N.C.	263.0
32	Fort Lauderdale/Hollywood/ Pompano Beach, Fla.	262.2
33	Norfolk/Virginia Beach/Newport News, Va.	255.0
34	Cincinnati	247.0
35	Louisville, Ky.	235.7
36	Columbus, Ohio	232.9
37	Portland, Ore.	232.7
38	Greensboro/Winston-Salem/ High Point, N.C.	232.3
39	Newark, N.J.	230.9
40	Birmingham, Ala.	229.8
41	Milwaukee	220.1
42	Oklahoma City	215.6
43	Salt Lake City/Ogden, Utah	212.0
44	Akron, Ohio	197.0
45	Bergen/Passaic, N.J.	194.6
46	Tulsa, Okla.	194.2
47	New Orleans	192.9
48	Austin, Tex.	192.7
49	Bridgeport/Stamford/Norwalk/ Danbury, Conn.	188.5
50	Nashville	181.6
TOTAL TOP 50		19,460.3

1982 Rank	Metro area	Sales (in millions)
51	Orlando, Fla.	$ 178.6
52	Richmond/Petersburg, Va.	172.3
53	Hartford/New Britain/Middletown/ Bristol, Conn.	171.8
54	Knoxville, Tenn.	170.8
55	Jacksonville, Fla.	168.0
56	Grand Rapids, Mich.	161.2
57	Dayton/Springfield, Ohio	160.3
58	Beaumont/Port Arthur, Tex.	159.5
59	Baton Rouge, La.	158.5
60	Kansas City, Mo.	158.1
61	Rochester, N.Y.	158.0
62	Johnson City/Kingsport/Bristol, Tenn.	157.2
63	Memphis	155.3
64	Greenville/Spartanburg, S.C.	151.6
65	Santa Rosa/Petaluma, Calif.	151.0
66	Las Vegas	150.5
67	Des Moines, Iowa	150.3
68	San Antonio, Tex.	150.2
69	Providence/Pawtucket/Woonsocket, R.I.	146.9
70	Albany/Schnectady/Troy, N.Y.	139.0
71	Buffalo, N.Y.	138.9
72	Fresno, Calif.	133.7
73	Monmouth/Ocean, N.J.	132.9
74	Mobile, Ala.	131.6
75	Middlesex/Somerset/Hunterdon, N.J.	131.0
76	Bakersfield, Calif.	129.8
77	Reno, Nev.	127.4
78	Eugene/Springfield, Ore.	126.4
79	Wichita, Kan.	125.6
80	Scranton/Wilkes-Barre, Pa.	125.4
81	Lancaster, Pa.	123.6
82	Lake County, Ill.	120.9
83	Little Rock/North Little Rock, Ark.	120.7
84	Spokane, Wash.	119.4
85	Wilmington, Del.	119.3
86	Fort Myers, Fla.	119.2
87	Tacoma, Wash.	118.7
88	Harrisburg/Lebanon/Carlisle, Pa.	117.7
89	Amarillo, Tex.	117.2
90	Peoria, Ill.	116.8
91	Gary/Hammond, Ind.	116.2
92	Allentown/Bethlehem, Pa.	114.7
93	Springfield, Mass.	110.8
94	Lakeland/Winter Haven, Fla.	106.7
95	Salem, Ore.	105.2
96	Charleston, S.C.	104.5
97	Huntington/Ashland, Va.	104.1
98	Davenport, Iowa/Rock Island/Moline, Ill.	103.7
99	West Palm Beach/Boca Raton/ Delray Beach, Fla.	103.3
100	Modesto, Calif.	103.0
TOTAL TOP 100		26,198.0
Per cent of U.S.		50.3%
TOTAL U.S.		52,711.1

Source: Sales & Marketing Management, July 1983; *NHCN* chart

NHCN's 1984 METRO MARKET OUTLOOK

Houston DIY chains running full steam ahead. . .

HOUSTON—This city of over three million, the state's largest, is catching its breath after almost 12 years of unimpeded, booming growth.

Unemployment here is up, retail sales through October are off about 12%, housing starts, for the first time in eight years, are down, its economy is shaky because of the downturn in the energy industry and its traffic congestion has become legendary.

Despite these problems, the market—which encompasses more than 7,400 square miles reportedly gaining 75 people a day—remains one of the most dynamic and profitable for the home center industry. Houston continues to offer chains and independents almost unlimited expansion possibilities and enormous sales of hardware, lumber and building materials.

So it is not surprising that several chains operating stores here—among them Payless Cashways, 84 Lumber and Handy Dan—will be adding new units in Houston this year. And there is a strong probability that both Home-Pro and Bowater Home Centers will enter the market in 1984 with several warehouse-style home centers that should heat up an already highly competitive market and make Houston one of the major home improvement battlefields.

"Houston's market has fallen off, but compared to the rest of the country it's booming," said Daryl Landsdale, president of W. R. Grace's Central Region which operates 22 Handy Dans here.

Landsdale's comments were echoed by other home center executives whose stores, despite the market's economic downturn, had strong sales in 1983. Many of these officials felt Houston's problems—with the exception of its traffic—were temporary, and that the market would regain the reputation as one of the nation's fastest-growing areas it had established over the past decade.

Between 1970 and 1980, the seven counties comprising Houston's consolidated market area gained 930,000 people, with Harris County—which holds 77% of the area's population—increasing by 667,000 residents.

Excluding the Galveston area (which is now considered part of the total Houston market), Houston had 206,000 housing starts from 1978 to 1982; in Harris County, the total value of all construction rose from $4.2 billion in 1978 to $6.4 billion in 1982, of which $3 billion was for residential construction. Between 1976-1982, Houston led the nation in total housing starts.

From a retail standpont, the market has burgeoned: According to *Sales and Marketing Management's* 1983 Survey of Buying Power, Houston ranks sixth in total retail sales among all markets, eighth in "Effective Buying Income" (i.e., personal income minus taxes and nontax payments) and 20th in median household income. More important for home center stores, Houston is the third-ranking hardware, lumber and building materias market in the country.

And, according to Jay Taylor, director of the Houston Chamber of Commerce's economic development division, the market's per capita income has gone from 76th to 11th among the major metro markets, and the city is third (behind San Francisco and Washington D.C.) in the youthfulness of its populace, with a median age of 27.6 years.

This is not to say, however, that Houston has not had problems. Its unemployment has hovered around 10% for almost a year, stemming largely from the depression in the energy industry upon which much of the city's and state's revenues are derived.

Because of its economic downturn, Houston's population growth has slowed too. In 1981, the area gained about 107,000 people; last year, only about 72,000. With fewer people coming into the market, housing has fallen off as well. Exclusive of Galveston, Houston had 66,970 housing starts in 1982, of which 31,800 were single family units. Last year, the total fell to 58,300, although single family figures were fairly constant at 30,500. In 1984, it is estimated that 46,050 units will be started, of which 28,900 will be single family dwellings.

Taylor and other local officials point out that there is an

(Continued on page 29)

The Houston market at a glance

DEMOGRAPHICS	1977	1982	% change	1987[P]	% change
Population (millions)	2.49	3.03	+21.7	3.64	+20.1
Households (thousands)	853.10	1,114.80	+30.7	1,375.70	+23.4
Effective buying income (billions $)	$ 17.43	$ 34.79	+99.6	$ 65.99	+89.7
Average household effective buying income (thousands $)	$ 20.44	$ 31.19	+52.6	$ 47.97	+53.8
Total retail sales (billions $)	$ 11.80	$ 19.66	+66.6	$ 38.85	+97.6
Per household retail sales (thousands $)	$ 13.83	$ 17.64	+27.6	$ 28.24	+60.1
Building materials/hardware sales (millions $)	NA	$ 874.90	—	NA	—

Source: Sales Marketing Management Survey of Buying Power[e] [E]—estimate [P]—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983[E]	% change	1984[P]	% change
Total (thousands)	44.30	70.00	+58.0	58.3	−16.7	46.1	−20.9
Single family (thousands)	27.70	31.80	+14.8	30.5	− 4.1	29.0	− 4.9

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$72.7	$77.2	$83.0

Sources: National Assn. of Realtors, local real estate boards

NHCN charts

HOW MUCH WOOD COULD A WOOD CHUCK CHUCK?

NHCN's 1984 METRO MARKET OUTLOOK

. . . while economy takes post-boom breather

(Continued from page 28)
overabundance of multifamily homes and single-family units costing in excess of $150,000 that have become difficult to market. Bill Schadewell, editor of the *Houston Business Journal*, who also conducts a weekly business program on local television, claims there are 38,000 homes that remain unsold on the market.

Industrially, the Houston market has also been overdeveloped. Over each of the past 10 years, the city has added 10% more office space, of which there is now a "surfeit," according to Skip Kasdorf, the Chamber of Commerce's manager of research.

However, while Kasdorf and other local officials were realistic about Houston's difficulties, they were almost equally optimistic about its future. "For the first nine months of 1983, nonresidential contracts were off 39%, but that still equals $1.5 billion. In Houston, we were the last to enter the recession, and we'll be the last ones out, but compared to the rest of the country, we're smelling like a rose."

Most home center operators in the market agreed with Kasdorf that the sheer force of Houston's expansion will propel its growth inexorably, and they expect their stores' sales to follow close behind that growth in 1984, after what turned out to be a very strong 1983.

"Our stores' sales were up about 30% this year, and the last half of the year was carried by our consumer business," said Gary Hester, chief executive officer of the seven-unit Walker-Kurth chain, based here. Payless Cashways' nine Furrow units saw sales jump about 40% in 1983, according to regional vp Roger Weverka. Landsdale of W. R. Grace noted his Handy Dan units were generating sales comparable to the chain's profitable San Antonio stores. And Dwight Sutherland, a partner at Sutherland Lumber, said he was "extremely satisfied with" the performance of his four stores here.

But the competition in the Houston market is so fierce—besides the above mentioned chains, Boise Cascade operates nine retail units, 84 Lumber eight, McCoy's four, Montalbano Lumber two and there is a multiplicity of hardware stores serviced by White's, Ace Hardware, Cotter & Co. and Handy Hardware Wholesaler—that it has become more difficult for home centers to retain their market shares, even as Houston expands geographically.

"It appears that everybody's going to have to share a bit more of the pie, and because there are so many stores here, your store's promotional efforts will just have to be sharper," said Tom Wymore, area manager for 84 Lumber, which plans to open two more stores here in January or February.

Other retailers agreed that the pricing is competitive here, and added that increased advertising was another key to competitive success in Houston. But the cost of advertising in Houston can be prohibitive, and because the area is so large (Sutherland has two stores that are 60 miles apart, for instance), the effectiveness of any one ad medium has to be questioned.

"You have two newspapers down here [The Houston *Chronicle* and The Houston *Post*], neither of which appears to cover more than 40% of the market," said Weverka of Payless Cashways from his Dallas regional office. "So we use a lot of direct and marriage mailers, and a lot of television to zero in on specific customers."

Handy Dan's Landsdale said his chain has already upped its ad budget, and he anticipates it will have to do so again in 1984 to meet with expanding competition. "There's already a whole lot of stores here, and I'm sure some of the warehouse guys will have stores in Houston soon, but we're not going to give an inch."

Most of the dealers contacted by *NHCN* were confident that Houston's economic recovery would take place in 1984, and that their stores would greatly benefit from it. Hester of Walker Kurth went so far as to say that, because he expects the housing market to bounce back strongly, 70% of his chain's volume could come from contractors this year, compared with 60% in 1984.

Others thought that Houston's growth would mean that their chain's expansion plans would continue to move ahead, mostly in the suburbs. However, two factors in the Houston market are making store expansion troublesome lately: the cost of land and the traffic.

Houston, like Dallas, charges its citizens a 1% transit tax, and has been trying to improve its mass transit system to take some pressure off its highways, which resemble parking lots during rush "hours" that are becoming longer and longer. But, according to Schadewell of the *Houston Business Journal*, little progress is being made. "The biggest obstacle to Houston's growth is its transportation system. The whole MTA system is a joke; all they do is perform study after study and nothing gets done. I haven't seen much action out of the city or the state."

Payless' Weverka noted that, because the traffic is so bad, it is essential to have as many units in the market as possible for consumer accessibility. "I don't think consumers travel more than five miles to shop our kinds of stores because they don't want to fight the traffic," he said. "For anybody to be dominant here, you have to have a sizable number of units." Payless plans to open three more stores in Houston this year, bringing its total to 12, and expanding the capacity of its warehouse here. Weverka said that it could "comfortably" fit six to 10 more stores in the market.

Handy Dan's Landsdale agreed that "to service the market you need a lot of stores in Houston because of the traffic." He also posed a question about how this problem may affect warehouse stores coming into the market, which would need to draw on a large customer base and generate huge sales to be profitable.

"I think when the warehouse people come in, they are going to have some problems because the traffic buildup, and people's resistence to driving in it, may restrict the number of customers these stores are able to draw."

Ralph Dillon, president of Bowater Home Centers, agreed that the traffic situation in Houston does not seem to be getting any better, and that it presented some problems for a chain like his. But he also felt that it was wishful thinking on the part of other chains to say that traffic would be a factor blocking his or any other warehouse's entry in the market.

Dillon also noted that it was unlikely that any warehouse operation would come into Houston "with only one store," agreeing with other chain officials that the market is simply too big for a single unit to handle.

He added that there were some "minuses" in operating here: advertising is expensive, real estate is costly, "many of the old Woolcos that we've looked at are not in great locations," and the market, in general, "has not exactly been robust." He also thought that, in certain areas, Houston was "overstored."

However, Dillon, along with most other home center executives, thought that Houston was one of *the* places to be for a company operating a home center chain.

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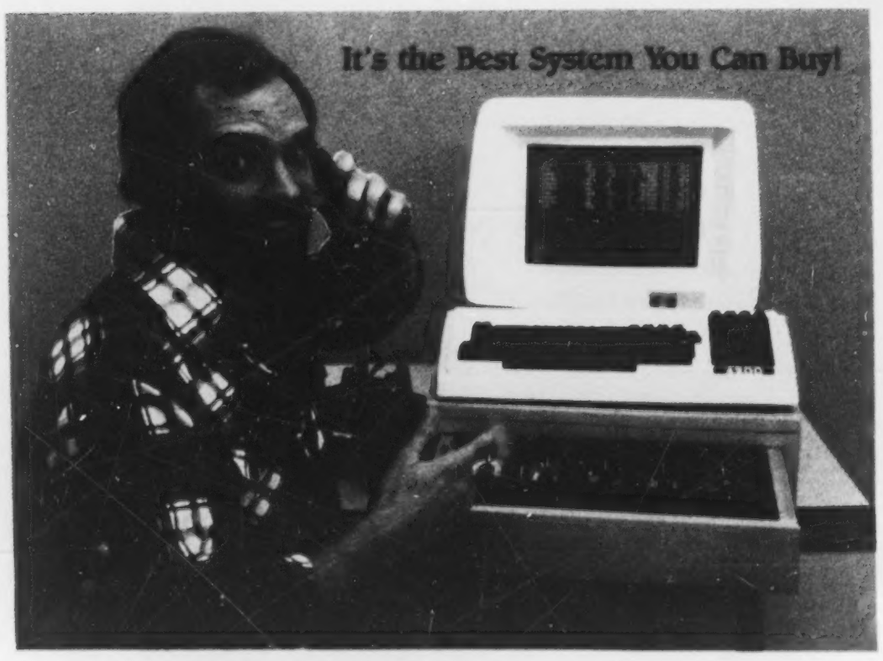

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NHCN's 1984 METRO MARKET OUTLOOK

Housing starts in Tulsa, which by November were already 25% ahead of the 1982 total, support predictions of dramatic growth in the area's retail sales potential. NHCN photo

Chains alter strategy to attain penetration of Tulsa DIY market

By David Morgan
NHCN field editor

TULSA, Okla.—By all indications, this southwestern community of 737,000 is a market about to happen for the retail building materials industry.

Population has grown by a third in the past decade, thanks mainly to an influx of skilled labor from the Northeast and upper Midwest. Single-family housing starts, as of Nov. 1, were running 25% ahead of last year's total, while growth in aerospace technology and renewed stability in the oil industry have led to forecasts of substantial gains both in retail sales potential and disposable household income over the next five years.

The local home center industry has not kept pace with these changes, however. For that reason, retailers have begun speculating that Tulsa may soon be the site of new and intense competition.

The area's first new home center store in five years appeared Sept. 1, when Sutherland Lumber opened a 58,000-sq.-ft. retail warehouse under the name "Sutherland Warehouse Plus." Located southeast of downtown, near the city's fastest growing section, the warehouse store lies within two miles of a Payless Cashways, two Handy Dans and several independents. The Sutherland organization itself has had no comment on the performance of the warehouse store. However, competitors claim the unit has not greatly affected their businesses.

In the meantime, other players on the local home center stage are moving to further their penetration into the do-it-yourself market. Pay 'N Pak, with two stores on the city's west side, is in the midst of a remerchandising program that calls for the addition of lumber and building materials, and 8-ft. warehouse racks to its stores. Boise Cascade has also stepped up its retail pitch, remodeling the store front of its only unit here, and maximizing its use of tabloid advertisements.

"Here in Tulsa, it's become a lot more competitive than it was a few years ago," commented Payless Cashways manager Max Nelson. "I see no reason for a slowdown—we're still in somewhat of a recession because of oil, but things will be rolling again by mid-84."

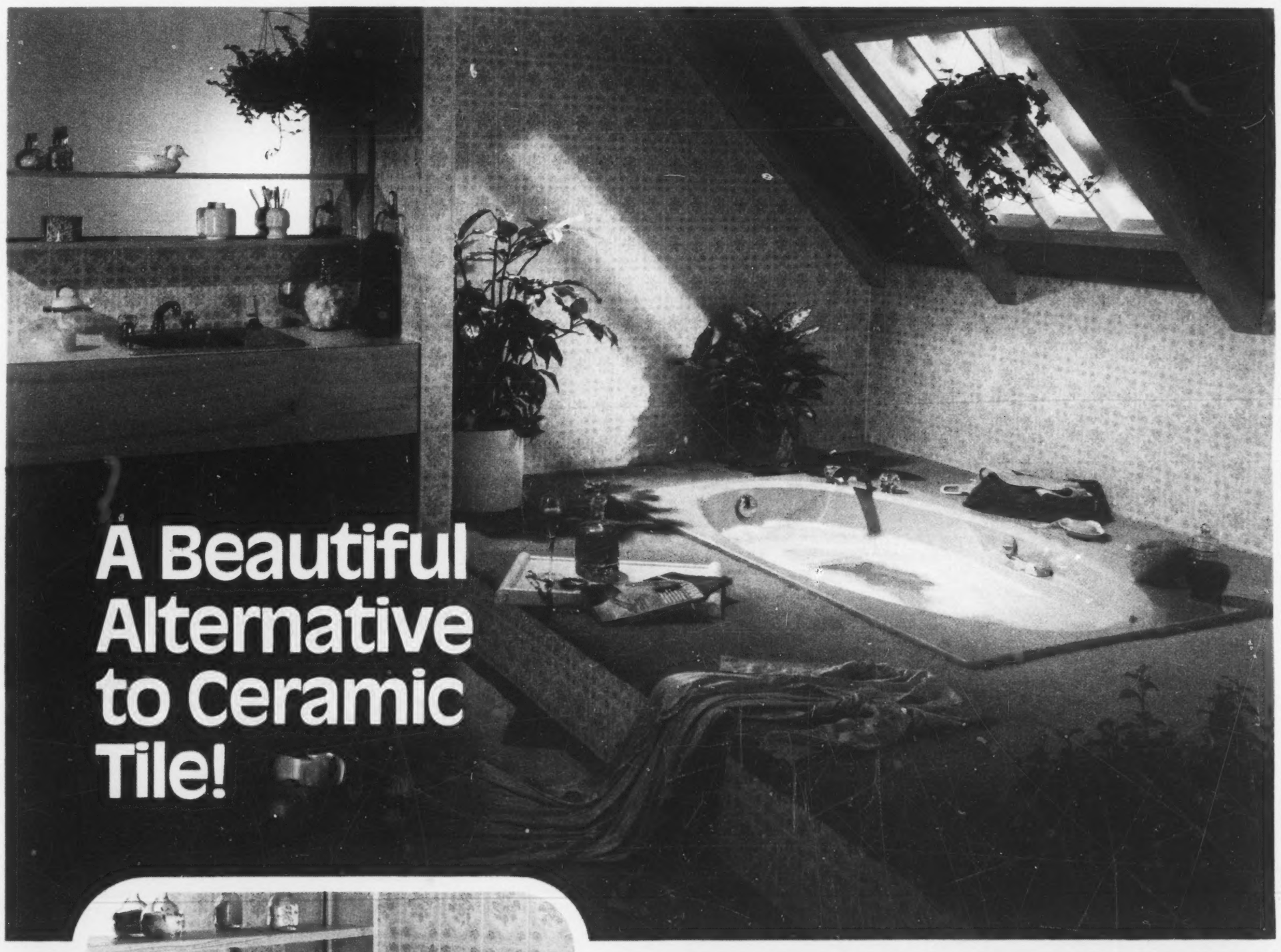
That could, according to some retailers, make Tulsa a prospective market for retail warehouse companies like Bowater and The Home Depot, or for Pay 'N Pak to introduce its new warehouse format into the area. Bowater president Ralph Dillon, for one, denied any interest in the Tulsa area on the part of his company at the moment. Still, many view Tulsa as a town with strong retail potential.

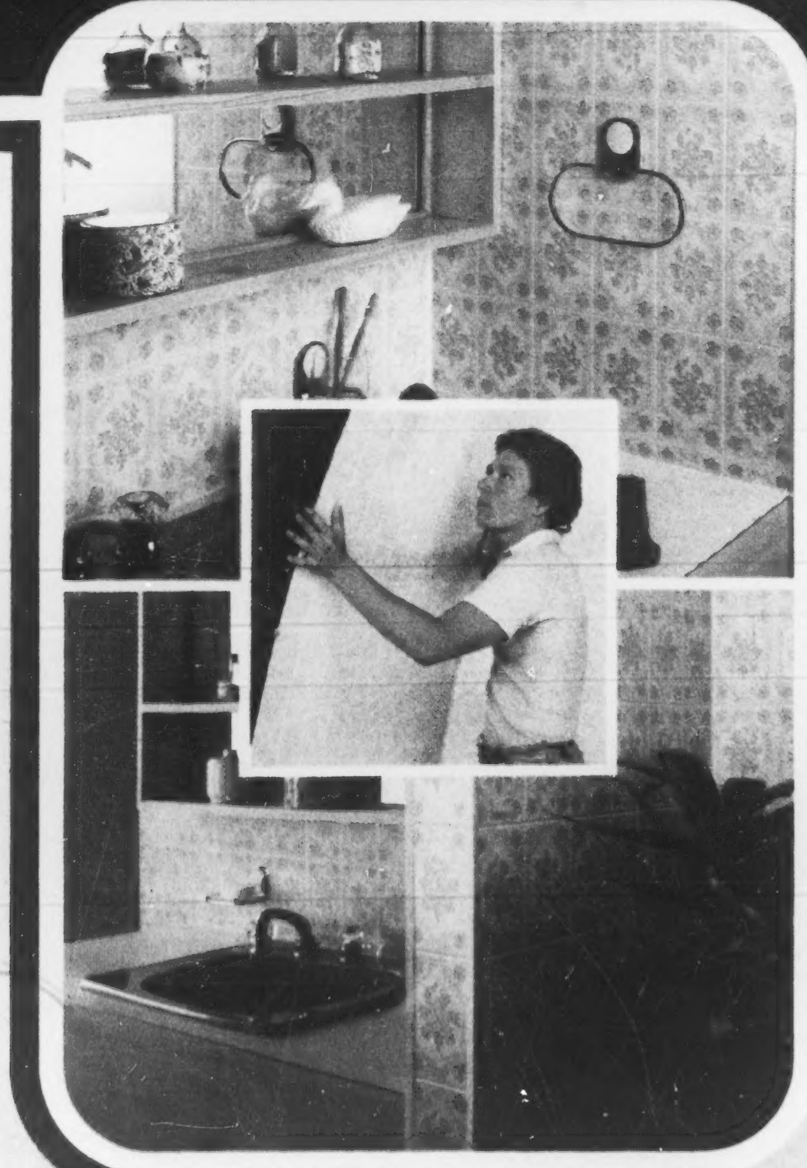
In 1980, when most of the United States was entering the depths of recession, Tulsa's oil exploration and aerospace industries enabled it to maintain one of the lowest unemployment rates in the country, estimated at 3.1%. The area's major employers, including McDonnel/Douglas, Rockwell International and Telex, began running want ads in northeastern newspapers after finding themselves in need of more skilled labor than was available in the community.

Things have changed somewhat since then. Price destabilization in the oil industry is blamed as the main culprit behind an unemployment rate that stood at 8.9% in October. Meanwhile, average family income in the Tulsa area was estimated at $17,030 by the 1980 Census.

By the end of the third quarter of this year, single-family housing starts were estimated at 1,476, compared to the 1,182 recorded for all of last year. Building permits, meanwhile, rose 6% to 6,340. The third quarter level was approx-

(Continued on page 34)





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NHCN's 1984 METRO MARKET OUTLOOK

Chains alter strategy in Tulsa DIY market

(Continued from page 32)

imately 164% higher than the 2,400 building permits issued when construction dipped in 1981.

Sales & Marketing Management's 1983 Survey of Buying Power paints a glowing picture of Tulsa's future retail vitality.

According to the survey, which was based on 1982 statistics, the population of the Tulsa metropolitan area is expected to increase 13% by 1987. Both retail sales and disposable household income, moreover, are projected to climb more than 80%.

S&MM reported that effective buying income per household will increase from $26,941 to $43,126 in Tulsa between 1982 and 1987. Defined as personal income, less personal tax and nontax payments, total effective buying income is expected to reach $13.2 billion by the end of period.

On the other hand, average retail sales per household is expected to rise from $14,690 to $24,575, for an overall increase of 90%. Total retail sales for the area are projected to reach $7.5 billion by 1987. In 1983, Tulsa residents spent an estimated $3.9 billion on retail purchases.

Luring customers, however, has become an increasingly competitive proposition.

Sutherland, Handy Dan and Boise Cascade began offering 5% off on items shown to be lower in price by competing advertisements last spring, in an attempt to foster low-price images. Pay 'N Pak already had implemented such a program some time before.

During the year's third quarter, Pay 'N Pak remerchandised its store in southwestern Tulsa by implementing a corporate program designed to increase sku's by one-third and raise gondolas from 48 to 84 in. The chain's second unit, a 20,000-sq.-ft. store on the city's north side, was scheduled to undergo the same treatment in December.

Scott Marcum, manager of the northern Pay 'N Pak, said he expected the changes to affect sales dramatically. "We'll be adding building materials and bringing them in on the floor, and basically going deeper in plumbing, electricals and paint," the manager said. "We've always had the accessories to building materials, but never the building materials themselves.

"I think it will mean a lot to this store in particular, mainly because we're the only chain store in north Tulsa," he said.

Pay 'N Pak, in conjunction with its remerchandising program, also has begun advertising on television in Tulsa, thereby providing support for quarterly tabloid advertisements.

Martin Switters, store manager at Boise Cascade, said his operation has increased its use of tabloids from two to 10 per year, while dropping its number of ROP advertisements from 25 to 16. According to Switters, the shift to tabloids has enabled the store to present Tulsa customers with a broader selection of sales items, particularly in the categories of plumbing, electrical and paint.

With a store of only 12,000 sq. ft., Switters said the company this year also moved to place commodity items and building materials on the sales floor. Products now found in the unit include sheet goods and prehung doors. Dimensional lumber remains in a 50,000-sq.-ft. warehouse storeroom to the rear of the store.

Like Pay 'N Pak, Boise Cascade supported changes in its merchandising mix by adopting television as an advertising medium.

Switters said he expects Boise Cascade's Tulsa operation to generate $20 million in lumber and building material sales, 85% of which will be to contractors. Between a third and a half of the operation's consumer sales, he said, are attributed to contractor referrals.

Max Nelson said the largest development to occur last year in his Payless Cashways store was a move toward the high end on kitchen and bath fixtures. "In vanities, for instance, we used to sell 24-in. models for $70—that was the most popular item in the line," he explained. "Now, the biggest sellers are still 24-in. models, but they're going for up to $200."

Upswing noted

Nelson attributed the upswing to demographic changes that have taken place in the southeastern sector of the Tulsa market over the past three years. "Homes here are ranging from $50,000 to $800,000 in price," he said. "Across town, they're going for between $20,000 and $70,000. Our store over there is still selling the low- to medium-priced vanities."

The Tulsa market at a glance

DEMOGRAPHICS	1977	1982	% change	1987[P]	% change
Population (millions)	0.61	0.70	+ 14.8	0.79	+12.9
Households (thousands)	224.00	268.70	+ 20.0	305.70	+13.8
Effective buying income (billions $)	$ 3.60	$ 7.24	+101.1	$ 13.20	+82.3
Average household effective buying income (thousands $)	$ 16.06	$ 26.94	+ 67.7	$ 43.13	+60.1
Total retail sales (billions $)	$ 2.31	$ 3.95	+ 71.0	$ 7.51	+90.1
Per household retail sales (thousands $)	$ 10.34	$ 14.69	+ 42.1	$ 24.57	+67.3
Building materials/hardware sales (millions $)	NA	$194.24	—	NA	—

Source: Sales Marketing Management Survey of Buying Power© [E]—estimate [P]—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983[E]	% change	1984[P]	% change
Total (thousands)	3.73	7.77	+108.0	6.09	−21.6	9.03	+48.3
Single family (thousands)	2.18	3.14	+ 44.0	4.85	+54.5	3.97	−18.1

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$68.7	$71.3	$73.3

Sources: National Assn. of Realtors, local real estate boards NHCN charts

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NHCN's 1984 METRO MARKET OUTLOOK

St. Pete DIY market: Big and getting bigger

ST. PETERSBURG, Fla.—Despite the opening of five Scotty's, two Home Depots and several independents in the region surrounding this city last year, home center operators are quick to say there's room for more.

"The future will call for more locations," said Dennis Stultz, executive vp of Scotty's.

The Home Depot, which opened its biggest store to date last spring in Tampa, followed by a Clearwater unit in November, plans to open a third this year in St. Petersburg.

"There is room for more large home centers," said Greg Cunningham, president of Ace Hardware Stores, a local chain founded 24 years ago, which opened its fifth store in St. Petersburg last fall. "And there are pockets open for smaller hardware stores to open, such as Palm Harbor," a town just north of the city.

Jim Reber, general manager of Littrell Lumber, agreed the market will support more stores. "There are a lot of stores in the area now, but they all seem busy," he said. Littrell, an independent operating in the city since 1922, may open a second location north of downtown this year.

By the end of last year, the rush to meet the growing needs of the area had produced a home center profile that included 17 Scotty's, nine Lindsley's, six 84 Lumbers, two Home Depots and a host of independents.

"The competition is fierce in this area," acknowledged Dean Friedley, assistant manager of the Lindsley store in Seminole, which has an 80% consumer trade. "It's gotten to the point that the store that comes out with the 'hot ad' each week is the one that gets the business."

Publix, Cash 'n Carry, Albertson's and other area grocery stores have further intensified the market by selling hardware. "So much competition has entered the food goods area that grocery stores need hardware and clothing departments as profit centers," said Cunningham of Ace. He added the three grocery chains mentioned above have all recently expanded their stores to sell additional hardware.

Despite the plethora of hardware and lumber outlets, observers point to a growing population base working for a growing number of high technology businesses as the primary impetus for continued interest in building new stores.

The population in the St. Petersburg-Tampa-Clearwater area increased by 10% from 1977 to 1982, according to *Sales and Marketing Management* 1983 Survey of Buying Power. Consumers spent $342 million on building materials and hardware store purchases in 1982, a figure that makes the area the 23rd most active of 314 metropolitan regions surveyed.

Furthermore, the effective buying income of the population is expected to increase by over 84% by 1987, a figure that compares with a roughly 62% increase since 1977. By 1987, the amount of money each household spends on retail sales is expected to increase by 60%.

"For the second year in a row, the Conference of State Manufacturers Association picked the area as having the most attractive business climate," noted Stultz of Scotty's. He said positive elements of the climate included low rates, availability of property and a low cost of living.

"In 1983 we absorbed 2 million sq. ft. of industrial space," said Bill Davis, president of the Committee of 100 for Pinellas County, where St. Petersburg is located. "This is roughly double our ordinary rate of absorption." During the next two years, Davis expects the remaining space available for industry—about 4,000 acres—to be fully developed.

The area's largest employer is Honeywell Aerospace. Others include General Electric, Sperry Microwave and Silor Optical. Of the total employment attributed to the region's manufacturing sector, about 65% is in high technology work, according to the Pinellas County Industry Council.

"In addition to new people coming into the area to work at the new companies, we have a lot of elderly people here who have their retirement income to spend no matter what happens to industry," pointed out Reber of Littrell Lumber. He added that spending by both groups has fueled additional construction of commercial properties.

The roots of the current increase in population—and concurrently in retail sales—go back to decisions made by the cities to modify their traditional economic structures.

"In the 1970's, the St. Petersburg area decided it needed to attract light industry to broaden its tax base," said Toni Farrell, research librarian for the Tampa Bay Regional Planning Council. Previously, the city had received most of its income from a combination of the retired elderly and tourism.

"At the same time, Tampa decided to take steps to transform itself from a dark industrial city," said Farrell.

The result has been an influx of pharmaceutical and other light industrial firms to St. Petersburg. Tampa, traditionally a heavy industrial town, built a convention center, downtown mall, Hyatt Hotel and new roadways that not only brightened its image but also attracted new employers.

While a host of new stores have been opened to serve the growing population, most home center operators are watching the progress of The Home Depot, and wondering how the local market will react to the con-

(Continued on page 37)

The Tampa/St. Petersburg market at a glance

DEMOGRAPHICS	1977	1982*	% change	1987P*	% change
Population (millions)	1.16	1.74	+ 50.0	1.98	+13.8
Households (thousands)	591.20	726.70	+ 22.9	837.90	+15.3
Effective buying income (billions $)	$ 7.93	$ 15.97	+101.4	$ 29.47	+84.5
Average household effective buying income (thousands $)	$ 13.41	$ 21.97	+ 63.8	$ 35.18	+60.1
Total retail sales (billions $)	$ 5.42	$ 8.76	+ 61.6	$ 16.18	+84.7
Per household retail sales (thousands $)	$ 9.17	$ 12.06	+ 31.5	$ 19.31	+60.1
Building materials/hardware sales (millions $)	NA	$342.16	—	NA	—

Source: Sales Marketing Management Survey of Buying Power© E—estimate P—projection NA—Not available *Includes Clearwater

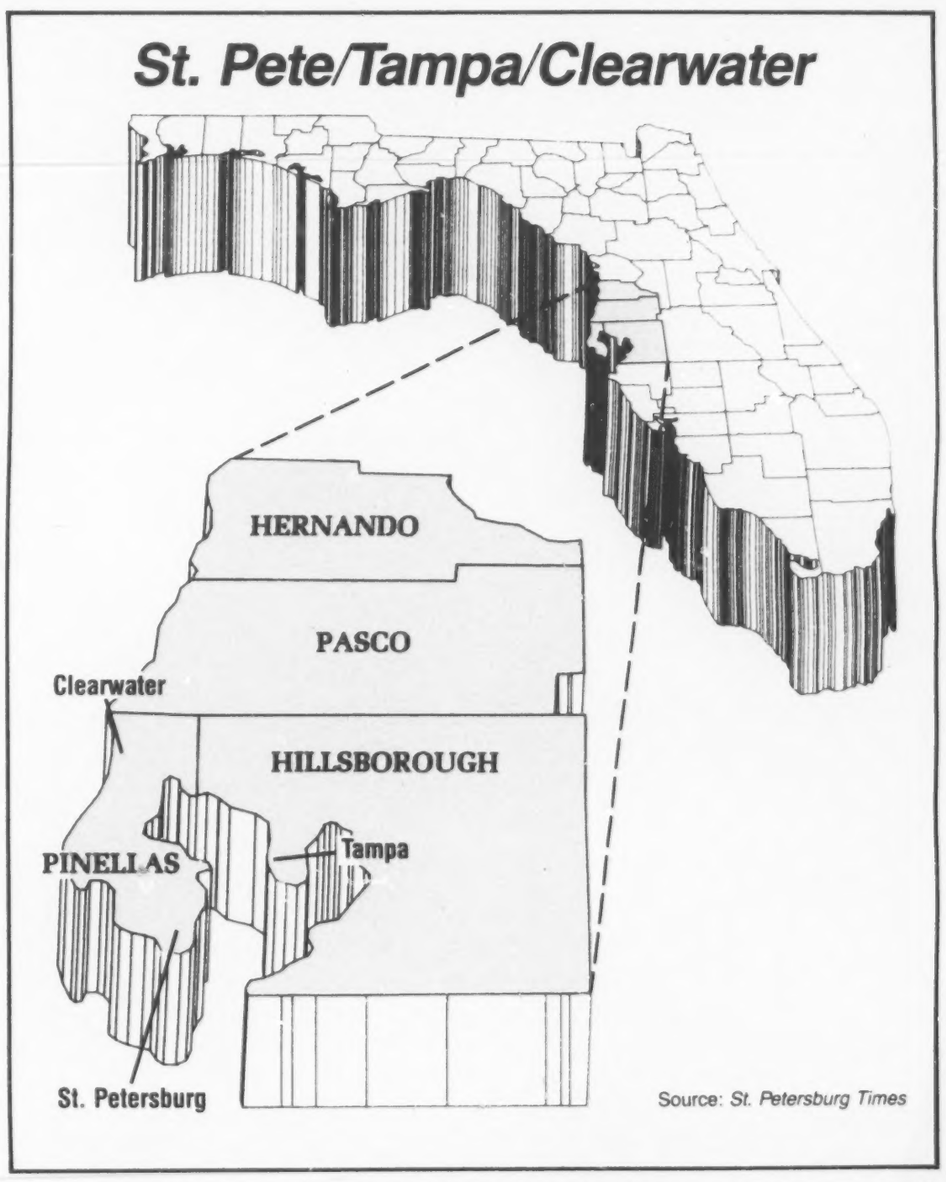
HOUSING STARTS	1981	1982	% change	1983E	% change	1984P	% change
Total (thousands)	17.55	13.67	−22.1	23.05	+68.6	21.80	− 5.4
Single family (thousands)	6.99	6.88	− 1.6	12.33	+79.2	10.80	−12.4

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$51.9	$53.9	$58.5

Sources: National Assn. of Realtors, local real estate boards

NHCN charts



Home centers are attracted to the St. Petersburg area because of its growing population and strong economy.

Warehouse invasion sharpens Indy pricing strategies

INDIANAPOLIS—The contest for home improvement sales is reaching a flash point in this northern industrial city of 1.2 million people.

The opening of two warehouse stores in late November and the promise of four more by spring, in fact, has retailers bracing for a wave of price-cutting and promotions.

First came Sutherlands, which debuted a 101,000-sq.-ft. retail warehouse under the name "HouseMart" on Thanksgiving Eve, featuring salesclerks on roller skates and twice the number of sku's usually offered by the chain. Two days later, Central Hardware reopened a 55,000-sq.-ft. store with 8-ft. gondolas and a sharper focus on standard home improvement lines such as hardware, plumbing and electricals.

Meanwhile, store officials at three other Central Hardware locations were busily renovating merchandise storerooms into additional floor space in preparation for their respective grand reopenings. These renovations, along with the construction of a new store, will give the Missouri-based retailer five warehouse stores in Indianapolis within the next few months.

A Central Hardware unit in Indianapolis is renovating of a former merchandise storeroom into retail selling space. Such renovations, along with construction of a new facility, will give the Missouri retailer five warehouse stores by spring. NHCN photo

Reaction to the warehouse store openings and their accompanying product offers has consisted mainly of stronger advertising and sharper pricing on the part of competing home centers. The area overall includes five Lowe's stores, four Furrows (Payless Cashways), four 84 Lumbers, three Carter Lumbers, one Wickes and a number of independents.

Payless Cashways also is in the process of adding between 3,000 and 5,000 sq. ft. to each of its units, as part of a corporate plan to increase the amount of merchandise displayed in the store. In addition, the chain was expected to open service centers in its four local stores during the first week of December, thereby offering customers services like window glazing, cut countertops, door planing and blade sharpening.

"It's a lot more competitive than it was five years ago, when there were only two Wickes, two Lowe's and three Central Hardwares," said one store manager who asked not to be identified. "But I don't know why anybody'd come to Indianapolis."

Larry Morrissey, vp of Payless' Indianapolis region, said the market has shown steady growth since unemployment peaked at 18% two years ago.

In fact, the market saw a number of healthy signs appear in its economy in 1983. Unemployment fell from 11% in January to 8.2% in September as the area's largest employers—General Motors, pharmaceutical manufacturer Eli Lilly & Co. and RCA—continued to regain vitality. Single family housing starts were up 95% in the first nine months of the year, reaching a total of 1,146. For the entire year, the city may approach the 1,800 single-family homes built during the housing boom of 1979.

"Over the last 24 months, we've seen consumers look much more for quality," Morrissey added. "It seems as though they're going for the extra $2 or $3 in price if it will increase the value received for

(Continued on page 37)

NHCN's 1984 METRO MARKET OUTLOOK

Warehouse invasion sharpens Indy prices

(Continued from page 36)
the money spent."

Sales & Marketing Management's Survey of Buying Power has forecast a 72% increase in effective buying income for residents of the Indianapolis metropolitan area by 1987, though population is not expected to rise more than 3%.

According to *S&MM*, effective buying income per household will increase from $25,136 to $42,134 in Indianapolis between 1982 and 1987. Defined as personal income less personal tax and nontax payments, total effective buying income for the area is expected to reach $18.8 billion by the end of the forecast period.

The survey showed that in 1982, 64% of the area's 450,000 households had effective buying incomes of between $10,000 and $35,000. Some 35% of area households earned $20,000 to $35,000.

S&MM also predicted a 68% increase in retail sales for the Indianapolis area, with purchases totaling $10.6 billion in 1987. Retail sales per household are expected to rise from $14,469 to $23,732 during the five-year period.

Projections on disposable income and retail sales should hearten officials at Sutherlands and Central Hardware, whose new warehouse stores must generate a high volume of sales to maintain advertised low price advantages.

Members of the Sutherland organization have not been willing to comment on their new HouseMart store, which is located in a former Woolco on the city's southeastern side. The chain's original Indianapolis store, located southwest of downtown, also has been changed to a HouseMart, if in name only. While the store carried opening day warehouse sales items, apparently there are no known plans to convert the original unit to the warehouse format.

Meanwhile, Central hardware, the 30-store St. Louis-based chain, has spent the past three months refining its mix to include only home improvement items.

Sporting goods and home appliances have been dropped completely from the product mix at the chain's store in north Indianapolis, the first to complete the remerchandising process. The three remaining Indy locations had simply moved nonhome improvement items onto warehouse racks while awaiting completed renovations.

Central Hardware also implemented several price and service offers to back up its new warehouse store. Among the offers were monthly payment plans for purchases in excess of $300, as well as 10% off all purchases for senior citizens on Tuesday of each week.

Central implemented an offer of 5% off on items shown to be less expensive in competing advertisements. The company also maintains a service center called "Mr. Tinker."

The Indianapolis market at a glance

DEMOGRAPHICS	1977	1982	% change	1987P	% change
Population (millions)	1.16	1.18	+ 1.7	1.21	+ 2.5
Households (thousands)	394.70	434.60	+10.1	445.10	+ 2.4
Effective buying income (billions $)	$ 7.42	$ 10.92	+47.2	$ 18.75	+71.7
Average household effective buying income (thousands $)	$ 18.80	$ 25.14	+33.7	$ 42.14	+67.6
Total retail sales (billions $)	$ 4.55	$ 6.29	+38.2	$ 10.56	+67.9
Per household retail sales (thousands $)	$ 11.53	$ 14.47	+25.5	$ 23.73	+64.0
Building materials/hardware sales (millions $)	NA	$269.10	—	NA	—

Source: Sales Marketing Management Survey of Buying Power© E—estimate P—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983E	% change	1984P	% change
Total (thousands)	4.86	3.20	−34.2	5.8	+ 81.3	5.8	0.0
Single family (thousands)	1.56	1.40	−10.3	3.1	+121.0	3.0	−3.2

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$49.7	$50.6	$53.7

Sources: National Assn. of Realtors, local real estate boards

NHCN charts

St. Petersburg

(Continued from page 36)
cept of warehouse retailing.

"The next Home Depot is supposed to open about three miles from us, and about three blocks from one of Scotty's most successful stores," said Greg Cunningham, whose local Ace Hardware chain did $4.5 million worth of business last year, about 90% of which represented consumer trade. "Since the previous Home Depot outlets opened last year, there has been a lot of aggressive advertising on the part of that company and Scotty's," reported Cunningham.

In contrast, said Cunningham, Lindsley has continued to maintain a low key advertising strategy. However, the chain has taken steps to increase the heights of its gondolas and make other internal merchandising changes since the opening of The Home Depot, noted Cunningham.

"Over a year and a half ago, when Lindsley started getting competition from Home Depot in Miami, they started lowering the heights of their gondolas and stocking more packaged goods to differentiate themselves, even in this region," said Cunningham. "Now that Home Depot has entered this market, they seem to be going back to trying to develop a warehouse look."

Cunningham is not convinced Home Depot can do as well in the St. Petersburg area as it has elsewhere. "Our population is older, more old fashioned and it's tough for them to get used to something new," he said.

"Their offer to sell merchandise at 5% off competitor's prices can only hurt them," said Cunningham. "We publish regular flyers, each of which has five coupons on the front good for purchase of loss leaders. If they try to meet all those prices they are going to lose money."

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NHCN's 1984 METRO MARKET OUTLOOK

Chains adopt Albuquerque's laid back attitude

ALBUQUERQUE, N.M.—This market, in the words of one local official, is an enigma.

Despite its steady, if undramatic, population growth, its pleasurable climate, stable economy and potential for expansion, Albuquerque has not had the same kind of booming growth other Sunbelt cities have had and misapprehensions about the city continue to persist even among some of its citizens.

And as a home center market, it is considered fairly competitive by retailers, but one whose expectations for growth are leavened by the constraints of its geography and its relative ability to draw new consumers to the area.

Albuquerque may be in a state whose state bird is the swift roadrunner, but its future expansion will probably reflect New Mexico's more laid back motto "Crescit Eundo," which, translated from the Latin, means "it grows as it goes."

That 36% of its estimated population of 460,000 is Hispanic does little to alter the impression, in some people's minds, that Albuquerque is actually in Mexico, even though New Mexico has been part of the Union since 1912. It appears Albuquerque has always had this kind of trouble establishing its own identity.

It is the third largest art market in the United States, behind New York and Los Angeles, and it supports three ballet companies. But Albuquerque still has a reputation, in some quarters, as being somewhat of a frontier border town.

At 2,400 ft. in altitude, it is 200 ft. higher in elevation than Denver, Colo., and its seasons change regularly. But many people visiting or moving to Albuquerque expect the weather to be hot and arid, like Tucson, Ariz.

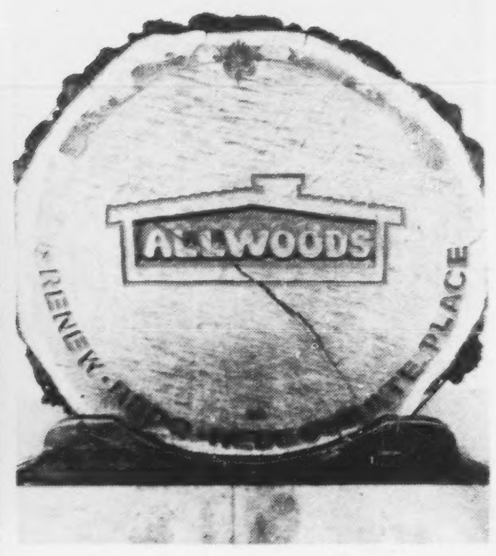
And while its West Mesa area stretches about 75 miles west of the city and offers a vast expanse in which to grow, Albuquerque is not generally viewed as a market where people will flock from other parts of the country. Over the past decade, it has grown at a fairly conservative 3% annually, and its population has increased 38% from 333,266 in 1970.

The market is highly dependent on the Government for its employment, with more than 7,200 people working for the Sandia Laboratories, which is contracted with the Dept. of Energy. In addition, the Bureau of Indian Affairs, Kirtland Air Force Base and the University of New Mexico also employ a good portion of Albuquerque's work force.

Other private businesses have also begun to move into the market of late, or at least have proposed to do so, including INTEL, Sperry, the Ethicon division of Johnson & Johnson, Motorola and Levi-Strauss (which has two plants here).

"People are moving here because it is still a reasonably priced place to live, we have 350 days of sunshine and we're finally starting to get some industry moving here," said Carl Rodolph, the city's director of municipal development.

With more people moving into the market, Albuquerque's housing stock appears to be growing, too. According to the city's Home Builders Assn., 1,964 single family unit permits were issued through October, a 148% increase over last year. These permits are worth $111.4 million in potential construction, a 165% increase. (Multifamily permits, in fact, were down 11% to 738, although investment was up 21% to $13.6 million.)



John Markley, president of W. R. Grace's western region: his company plans to add two more Allwoods stores by 1985 to the three operating in the Albuquerque market. NHCN photos

Jim Covell, executive vp for Albuquerque's Industrial Development Service, said that more than 50% of this single family construction would take place on the west side of the city, with substantial development occurring in the Rio Rancho community in the northwest.

(He explained that because the city has the Sandia Mountains to the east, an Indian reservation to the north and the airport and Air Force base to the south, "we'll be expanding to the west almost exclusively until we hit the Navajo Reservation about 70 miles away.")

Covell and other city officials conceded, though, that this growth pattern has yet to significantly affect either the market's relatively high unemployment rate, or its retail sales.

"One of the problems we've had is that our market is still very dependent on the minerals and energy industries, which have been down, and we've got a lot of young, unemployed people who normally would be working in those jobs," said Mayor Harry Kinney. Preliminary unemployment figures for September were 8.2%, compared with an 8.1% annual average in 1982.

With this unemployment, Albuquerque has stalled as a retail market, ranking only 92nd in total retail sales among all metropolitan markets with $2.3 billion, and 103rd in retail sales of lumber, building materials and hardware with $99 million, according to data from the *Sales & Marketing Management* 1983 Survey of Buying Power.

However, when one considers that Albuquerque ranks just 97th overall in total population among all markets, its growth rate appears to be more in line with its size. And, according to home center retailers here, Albuquerque is viewed as a market in which future expansion will eventually take place. It is a market, they say, on the verge of happening, although no one is certain when that is going to be.

"We already have the land, and we're ready to build two more stores here, but why do it if the market isn't ready?" asked John Markley, president of W. R. Grace's Western region in City of Commerce, Calif., which operates three Allwoods stores here. Markley said the company had planned to open a fourth unit this year, but has put those plans on hold until 1985, when the market is expected to be "more robust."

(Continued on page 39)

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NHCN's 1984 METRO MARKET OUTLOOK

Albuquerque spawns 'laid back' strategies

(Continued from page 38)

But that, in fact, could be happening already, as some home centers have seen remarkable sales increases in this market this year. For instance, two years ago, 84 Lumber was seriously considering shutting down its store in Albuquerque because sales were so bad. Now, according to store manager Doug Doonan, "we've missed only one monthly quota this year, and that's a lot better than most people expected."

84 Lumber operates a 20,000-sq.-ft. unit here, which gets about 75% of its sales from retail transactions, a considerably higher percentage than the 60% average for the chain as a whole.

Baldridge Lumber operates two retail yards here, and has seen its sales jump 33% through November. Over the past year, its two stores—a 5,000- and 12,000-sq.-ft. unit carrying 8,000 and 25,000 sku's respectively—have been "completely remerchandised," according to company president Joseph Harley, to attract a greater number of DIY customers.

Harley added that the housing market in Albuquerque has picked up lately, but he wasn't anticipating an enormous increase in sales because of it. "Albuquerque as a city has just under 350,000 people, and doesn't have the suburban growth that Houston or Dallas does. But our business has been good, and the area is growing at a more controlled rate."

This level of expansion, though, has done little to dampen the competitive spirit among several of the retailers here. For example, 84 Lumber, according to Doonan, has increased its advertising to stay competitive in the market, as has Hacienda Home Centers, a five-unit chain here, whose sales were up 8% at the end of its fiscal year on Oct. 31.

Felix Sanchez, Hacienda's president, said that with Allwoods, Sutherland Lumber and Furrow Building Materials in the market, prices need to be competitive at all times. He, along with other dealers in Albuquerque, pointed specifically to Furrow's (the name under which Payless Cashways operates here) as being the stiffest competition.

"They have been here since 1962, and have developed a reputation like Sears and Montgomery Ward in Albuquerque," said Sanchez.

Markley of W. R. Grace noted that with the exception of 84 Lumber "everybody has been here a long time." (Baldridge opened its first store in 1881; Allwoods being a bit more contemporary with its first unit of 1973 vintage.)

As for competition, Markley said that "it doesn't make that much difference how many stores are in the market as much as who they are. Payless is a very consistent and competitive company in all its markets, as are we. In fact, when a market is smaller, and income levels are lower, it tends to be even more competitive than most."

Steve Hulette, manager for one of Payless' two Furrow's units here, said his store's sales were up more than 40% this year, with 40% of his total volume coming from blue collar workers, and about 25% from "tradesmen."

"We're in a fairly strong position here, but I don't think we've tapped the market completely," he said. "We're still experiencing a lot of growth in the eastern side of town, and with the west being the area where the bulk of new home construction will take place, we should be able to take advantage of that as well, and eventually move a few more stores in."

Also illustrating the market's untapped potential for low-margin, high-volume operators was the announcement in December that the Price Co., operator of 14 cash-and-carry wholesale warehouses in California and Arizona, has entered into escrow to purchase property in Albuquerque. Company officials said a Price Club unit will open here this year.

'They [Payless Cashways] have been here since 1962, and have developed a reputation like Sears and Montgomery Ward in Albuquerque.'

Felix Sanchez,
president,
Hacienda Home Centers

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The Albuquerque market at a glance

DEMOGRAPHICS	1977	1982	% change	1987[P]	% change
Population (millions)	0.41	0.45	+ 9.8	0.50	+11.1
Households (thousands)	141.60	169.20	+19.5	192.70	+13.9
Effective buying income (billions $)	$ 2.19	$ 3.89	+77.6	$ 6.77	+74.0
Average household effective buying income (thousands $)	$ 15.44	$ 23.00	+49.0	$ 35.11	+52.7
Total retail sales (billions $)	$ 1.37	$ 2.35	+71.5	$ 4.03	+71.5
Per household retail sales (thousands $)	$ 9.64	$ 13.87	+43.9	$ 20.90	+50.9
Building materials/hardware sales (millions $)	NA	$ 99.70	—	NA	—

Source: Sales Marketing Management Survey of Buying Power© [E]—estimate [P]—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983[E]	% change	1984[P]	% change
Total (thousands)	1.40	1.70	+21.4	2.6	+ 52.9	2.4	- 7.7
Single family (thousands)	1.19	1.00	-16.0	2.3	+130.0	2.0	-13.0

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$66.8	$74.3	$78.1

Sources: National Assn. of Realtors, local real estate boards

NHCN charts

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B ☐ Retailer
C ☐ Manufacturer
D ☐ Mfgrs. Agent
E ☐ Import/Export
F ☐ Other:

TITLE/FUNCTION
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E ☐ Other:

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C ☐ Co-op/Chain Headquarters

PRODUCTS YOU SELL *Ck all appropriate*
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B ☐ Lawn & Garden
C ☐ Housewares
D ☐ Hand & Power Tools
E ☐ Automotive
F ☐ Plumbing
G ☐ Electrical
H ☐ Bldg. Supply materials/tools
I ☐ Heating/cooling
J ☐ Outdoor Living
K ☐ Sporting Goods
L ☐ Paints/sundries
M ☐ Wall coverings
N ☐ Floor coverings
O ☐ Ceiling products
P ☐ Lumber/plywood
R ☐ Furniture: KD, outdoor, indoor
S ☐ Major appliances
T ☐ Kitchen cabinets
U ☐ Bathroom fixtures

RETAILERS ONLY *Check 1 of each*
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B ☐ Home Center
C ☐ Lawn & Garden/patio
D ☐ Mass Merchandiser/ Disc. store
E ☐ Lumber/Bldg. supplies
F ☐ Automotive supplies
G ☐ Other:

NUMBER OF STORES
H ☐ One store
I ☐ 2 - 4 stores
J ☐ 5 or more stores

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L ☐ $500M to $1,000,000
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N ☐ over 5 million. Indicate to nearest million:

TYPE OF OPERATION
O ☐ Co-op/Member Dealer
P ☐ Independent
R ☐ Chain

NHCN's 1984 METRO MARKET OUTLOOK

Tobacco City cultivates crop of hi-tech firms

RALEIGH, N.C.—Three decades ago, when this city began plotting the development of a hi-tech industrial park, it was taking the first steps toward freeing its economy from dependence on the tobacco crop. In the process, though, Raleigh officials laid the groundwork for a thriving market for retail sales—especially for home center operators.

Today, the collection of hi-tech firms in the 6,000 acre Research Triangle Park, located midway between this city and Durham, has helped boost building materials and hardware sales to nearly $100 million annually in the Raleigh-Durham market, according to *Sales and Marketing Management*'s 1983 Survey of Buying Power.

"There's no doubt the park has accounted for the increase in business," said Paul Casey, secretary and treasurer of Carolina Builders, an independent that has been operating in Raleigh since 1922. "Because of the park, our volume has doubled [since the previous year] to $70 million in 1983." Carolina Builders operates four other outlets, all of which have been built in the past 10 years.

"The manufacturing and industrial base here are very strong financially," said Richard Griffin, vp of corporate retail sales for Lowe's Cos. "We believe it will remain very stable. The only reason it won't see exceptional growth is because it is already very good."

Lowe's, with five stores in the area, dominates the Raleigh home center scene. Moore's has two stores, and Wickes and 84 Lumber each have one. Additionally, over a dozen independents are active in the area.

Not surprisingly the same healthy local economy that helped boost the retail sales of these stores has also attracted competition. Hechinger opened a 60,000-sq.-ft. store on Oct. 1 of last year next door to the Lowe's outlet in Durham. The company is also looking for a second site, this time in Raleigh, according to Sally Courtney, vp and general merchandise manager.

"About a half dozen new stores have opened within the last year in the area of Durham around my store," said R. N. Barringer, president of West Durham Lumber, another old-time, family-run independent which has operated at the same site for 58 years. Despite increasing competition offered by the new independent stores, Barringer points to the growing regional population as the primary reason why his business, which is 30% consumer, grew from $5.6 million in 1982 to $7 million in 1983.

Economic statistics for the region show why retailers have a strong interest in the area. While the population of the Raleigh-Durham SMSA increased by about 20% between 1977 and 1982, the total retail sales for the area increased by over 68% for the same period. According to *Sales and Marketing Management*, a population of 590,300 in 1982 spent $2.7 billion in retail trade that same year. Each household spent $12,212 on retail purchases that year, a 33% increase over 1977, according to the same source.

Further, total retail sales are expected to increase by close to 80% by 1987, and average household effective buying income by 65%, even though population is expected to increase by only 9.1% for the same period.

Unemployment, which currently stands at a low 4%, never exceeded 5% during the recent recession, according to the Triangle J Council of Governments, an association based at Research Triangle Park. The council also noted that the SMSA has enjoyed the lowest rate of unemployment in North Carolina for the past several years.

Moreover, the Raleigh-Durham area stands high compared with other Standard Metropolitan Statistical Areas (SMSA) surveyed in 1983 by *Sales and Marketing Management*. Of 314 such SMSA's, Raleigh-Durham ranked 82nd in total retail sales, and 105th in building materials and hardware store sales. The area ranked 80th in effective buying income and 166th in median household effective buying income.

"During 1983, we had nine announcements of new companies moving into Durham County," said Jim Camp, economic director of the Durham Chamber of Commerce. "The combination of new firms and expansions of existing firms translates into 4,000 new jobs," which, noted Camp, is a considerable boost for a county with 96,250 workforce.

While Camp forecasted further expansion in 1984, he did not expect it to proceed at the same "torrid pace" as that of 1983.

Home center operators in general echo Camp's sentiments that the future holds steady if somewhat more modest growth for the region, and that Raleigh holds more potential than Durham.

"The Raleigh store does substantially better than what the average Lowe's store will do," said Griffin, noting the store's 12,000-sq.-ft. showroom approximates the average Lowe's facility.

The Raleigh/Durham market at a glance

DEMOGRAPHICS	1977	1982	% change	1987[P]	% change
Population (millions)	0.49	0.59	+20.4	0.64	+ 8.4
Households (thousands)	171.90	218.10	+26.9	243.20	+11.5
Effective buying income (billions $)	$ 3.08	$ 5.42	+76.0	$ 10.01	+84.7
Average household effective buying income (thousands $)	$ 17.92	$ 24.88	+38.8	$ 41.17	+65.5
Total retail sales (billions $)	$ 1.58	$ 2.66	+68.4	$ 4.80	+79.3
Per household retail sales (thousands $)	$ 9.19	$ 12.21	+32.9	$ 19.60	+60.5
Building materials/hardware sales (millions $)	NA	$ 99.40	—	NA	—

Source: Sales Marketing Management Survey of Buying Power© [E]—estimate [P]—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983[E]	% change	1984[P]	% change
Total (thousands)	4.62	4.69	+1.5	9.40	+100.4	9.80	+4.3
Single family (thousands)	2.84	3.08	+8.5	5.90	+ 91.6	6.30	+6.8

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$72.46	$74.40	$77.76

Sources: National Assn. of Realtors, local real estate boards

NHCN charts

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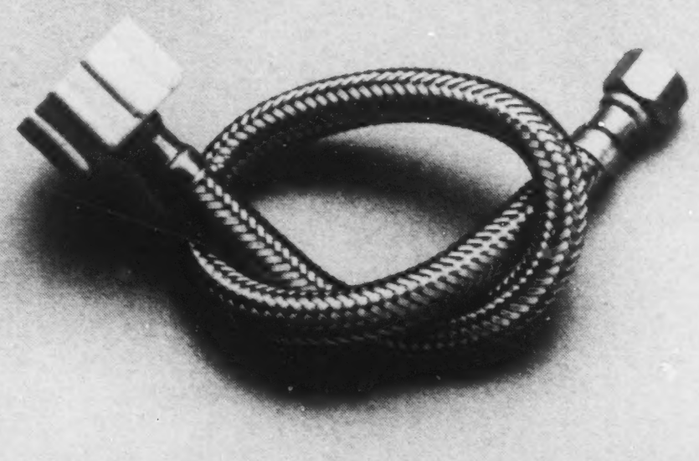

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NHCN's 1984 METRO MARKET OUTLOOK

DIY execs predict Tucson boom

TUCSON, Ariz.—Home center industry executives who have examined this desert city's economy, population and housing trends share the same opinion: it is developing into an excellent DIY market.

Home Depot chairman Bernard Marcus, who began his Arizona expansion with three units in Phoenix, is now pondering expansion into this city, he told *NHCN*. Payless Cashways, which has been in Tucson since 1947, acquired the three-unit Wood Brothers chain late last year, and now has five units in the Tucson vicinity. Said Payless president David Stanley, "We would not have made this acquisition if we were finished expanding in the Tucson market."

Depot's Bernard Marcus began his chain's Arizona expansion with three units in Phoenix. Tucson may be next. NHCN photo

But that's not the only DIY activity here. Phoenix-based O'Malley Building Materials took over the operation of the four Handy Andy home centers in Tucson and one in Sierra Vista, Ariz., last August. Other DIY dealers represented here include Handyman, Sutherland Lumber and 84 Lumber.

While no price wars are being fought yet, industry observers say that Tucson could develop into Arizona's next DIY battleground.

According to a recent study by economist Willard F. Sprague of the Federal Home Loan Bank of San Francisco, Tucson will boom during the next decade thanks to its "excellent prospects for becoming a major center of high technology manufacturing."

A recent *Sales & Marketing Management* survey reports that Tucson, with a population of 581,000, ranks 84th nationally in total retail sales, at $2.56 billion, while its building materials and hardware store sales rank 139th, totaling $78.9 million.

Yet population is expected to reach 840,000 by 1992, creating a need for up to 130,000 additional dwelling units. Sprague suggests that the need to control housing costs is likely to reduce home sizes here, increasing the densities of developments and stimulating demand for condominiums and mobile homes.

Sprague said in his 10-year Tucson outlook that he found Tucson and its vicinity will experience economic expansion and population growth far in excess of national trends. He traced the area's bright future to the selection of Tucson six years ago as the site for a new IBM plant, which focused national attention on the area's high technology potential.

Sprague said that Tucson will probably never match the Silicon Valley in California, but, "Tucson can expect to attract substantial outside investment in new [high technology] facilities. There is sound reason to believe that a good deal of this will represent a choice over competing locations in California."

Tucson's unemployment rate is 7.6%, according to the Bureau of Labor Statistics, and its proximity to the international border offers Tucson-area manufacturers an opportunity to take advantage of lower labor costs by placing some plants in Mexico.

O'Malley, following the Handy Andy acquisition, changed the name of the Sierra Vista Handy Andy to O'Malley but kept the existing Handy Andy trade name in the Tucson stores. Payless Cashways, however, changed the Wood Bros. stores to the Payless name. The Wood Bros. are undergoing what Stanley called "fine-tuning" to more closely fit into the Payless concept. At Handy Andy, O'Malley mm Stephan Elliott said the stores have not been remodeled, although that plan was on the drawing boards.

The chains with representation in both Tucson and Phoenix appear to be concentrating their promotional and operational efforts on Phoenix, where The Home Depot's market entry has touched off an unprecedented price war, leaving Tucson, for the moment, in the shadows. But clearly, with Home Depot considering this as a probable market, Tucson's home center activity is certain to heighten, and soon.

The Tucson market at a glance

DEMOGRAPHICS	1977	1982	% change	1987[P]	% change
Population (millions)	0.47	0.58	+23.4	0.66	+13.8
Households (thousands)	165.90	220.90	+33.1	254.9	+15.3
Effective buying income (billions $)	$ 2.60	$ 4.90	+88.4	$ 8.40	+71.4
Average household effective buying income (thousands $)	$ 15.50	$ 22.20	+43.2	$ 33.00	+48.6
Total retail sales (billions $)	$ 1.60	$ 2.57	+60.6	$ 4.31	+67.7
Per household retail sales (thousands $)	$ 9.74	$ 11.62	+19.3	$ 16.92	+45.6
Building materials/hardware sales (millions $)	NA	$ 78.89	—	NA	—

Source: Sales Marketing Management Survey of Buying Power© [E]—estimate [P]—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983[E]	% change	1984[P]	% change
Total (thousands)	4.80	6.25	+30.2	10.50	+68.0	8.00	−23.8
Single family (thousands)	1.90	2.25	+18.4	3.80	+68.9	4.50	+70.0

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$72.5	$77.2	$77.2[E]

Sources: National Assn. of Realtors, local real estate boards

NHCN charts

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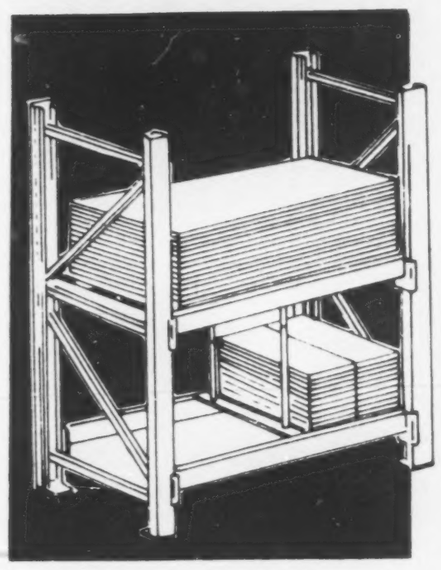

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NHCN's 1984 METRO MARKET OUTLOOK

Phoenix battle fierce in Sunbelt DIY wars

(Continued from page 1)

Clearly, though, the biggest threat by invading chains appears to be to O'Malley's, which until recently dominated the DIY market here, as an adjunct to its contractor and wholesale building material business.

Perry Steinhoff, advertising manager for O'Malley's, conceded the chain is "solidifying and protecting our current customer base—but we don't expect we'll be expanding as rapidly as we'd like."

Retailers are clamoring for a piece of turf in Phoenix, perhaps more than most markets, because of the market's prospects for growth.

Among metropolitan areas with populations of 100,000 or more, Phoenix is expected to be the third fastest growing market between now and 1987, behind Houston and Riverside-San Bernardino, Calif., according to a 1983 *Sales & Marketing Management* report.

Phoenix's population will grow by 18%, from 1.65 million currently, to 1.95 million by 1987, according to the *Sales & Marketing Management* report, which will make it the 19th largest metro market in the country.

Phoenix ranked 27th nationally in total retail sales in 1982—the latest period for which figures are available posting $7.63 billion in retail sales. And it ranked 22nd in building material and hardware stores sales ($343 million).

Meanwhile, single-family home construction in the past year has nearly doubled from 1982's production, to 23,000 units, according to National Assn. of Home Builders estimates, and projections for 1984 call for a 13% increase over 1983, despite a slippage in multiunit construction.

While home center retailers operating in Phoenix aren't wasting any time trying to win a ground-floor position in the market long before it matures, the battlelines seem drawn primarily around the issue of price.

In a full-page advertisement in The Arizona Republic and Phoenix Gazette newspapers, for instance, Handyman proclaimed; "We cannot be undersold. We will give you 10% off anybody's advertised prices [on identical items!]".

Angels has been emphasizing in its fall and early winter circulars that "one home center is all you need," with ads and in-store banners claiming "lowest prices in Arizona," "warehouse low prices" and "bargain basement prices."

Payless Cashways meanwhile claims in its advertising that "we'll beat anybody's advertised price on any item we sell. . . . Since we guarantee the lowest prices on advertised items, there's no reason to go anyplace else."

And The Home Depot, in a program it offers in all its markets, promotes a guarantee card in which the chain promises to "slash 5% off the price of any competitor's identical advertised items."

Some DIY dealers are not playing the lowest-price game. Employees at 84 Lumber and at Ray Lumber said they are not altering their price strategies.

Neither is Foxworth-Galbraith. Bob Jacques, assistant floor manager, explained that "the biggest thing we have is service. We're not going to match prices because that's like saying we've been screwing you all these years, and now we're going to be competitive."

O'Malley's Mesa store, near The Home Depot, reportedly posted $96,000 in sales the week of The Home Depot's opening compared with $106,000 it did the preceding week and $79,000 for the year-earlier comparable period. Retailers in general reported good sales despite The Home Depot's debut.

"The Home Depot looks at us as retailers that can be squashed like a bug," asserted one competitor. "But one thing about the Arizona market. People like familiar settings, they don't like change. It's not an Eastern market."

Before The Home Depot's arrival, an O'Malley's survey conducted by a local research firm determined that consumers perceived Payless Cashways as having the lowest prices, followed by Angels, O'Malley and Handyman, prompting O'Malleys to fight back with its price guarantee program.

Steinhoff reports that only "one in 400 customers" takes advantage of it. The store manager of a Payless unit said it costs him less than $200 a week to meet its guarantee that "we will not be undersold."

While dealers expect The Home Depot to pull $20 million-$30 million out of the market, Steinhoff's observation was supported by many: "The pie is going to get bigger. Home Depot is taking a big chunk, but other people's slices won't be cut as much as you'd think."

The Phoenix market at a glance

DEMOGRAPHICS	1977	1982	% change	1987[P]	% change
Population (millions)	1.30	1.70	+ 30.8	1.90	+11.8
Households (thousands)	447.20	616.40	+ 37.8	737.20	+19.6
Effective buying income (billions $)	$ 7.60	$ 15.40	+102.6	$ 29.20	+89.6
Average household effective buying income (thousands $)	$ 16.90	$ 25.00	+ 47.9	$ 40.00	+60.0
Total retail sales (billions $)	$ 4.80	$ 7.60	+ 58.3	$ 13.70	+80.3
Per household retail sales (thousands $)	$ 10.70	$ 12.40	+ 15.9	$ 18.60	+50.0
Building materials/hardware sales (millions $)	NA	$343.00	—	NA	—

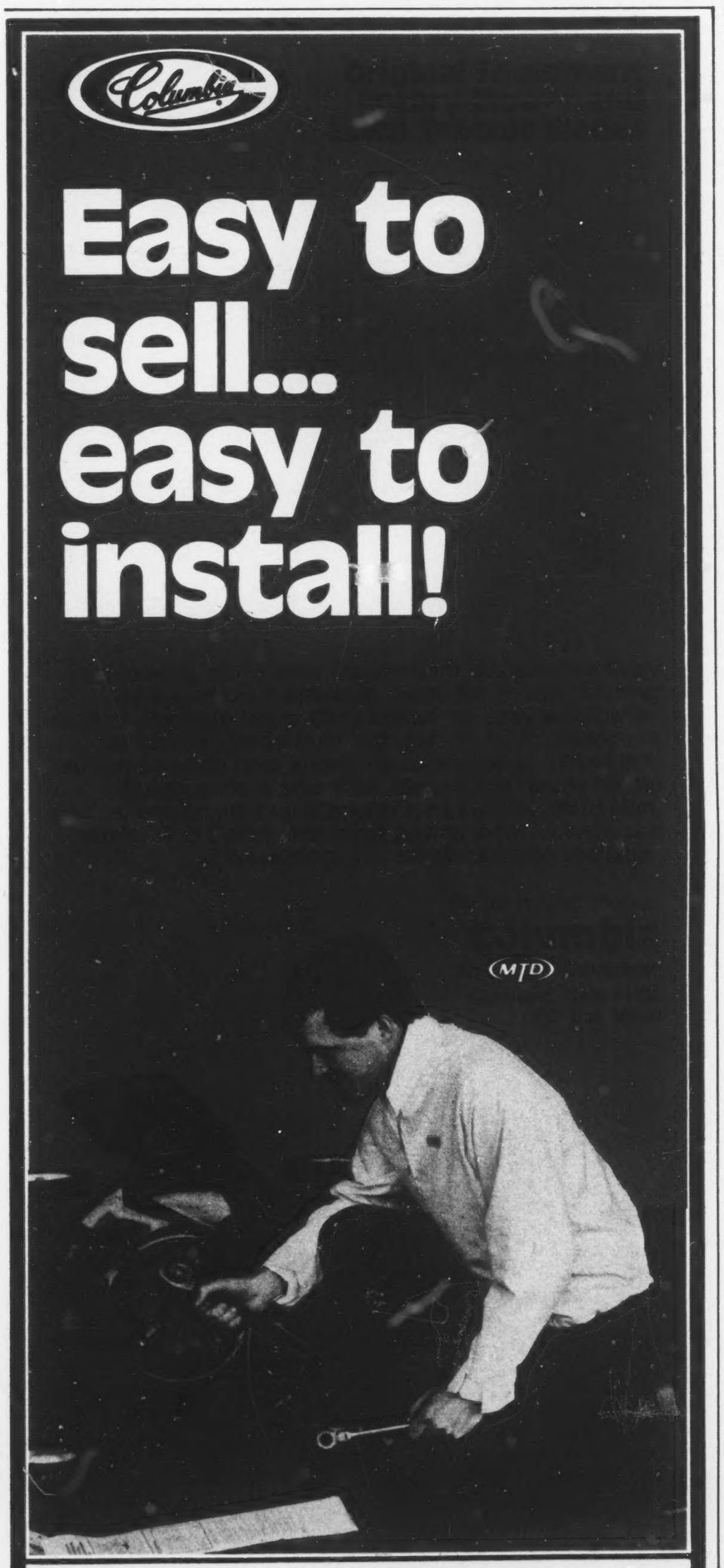
Source: Sales Marketing Management Survey of Buying Power© [E]—estimate [P]—projection NA—Not available

HOUSING STARTS	1981	1982	% change	1983[E]	% change	1984[P]	% change
Total (thousands)	19.40	22.50	+16.0	43.0	+91.1	36.0	−16.2
Single family (thousands)	10.30	12.50	+21.4	23.0	+84.0	26.0	+13.0

Source: National Assn. of Home Builders

EXISTING HOME PRICES	1981	1982	(3rd Q) 1983
Median sales prices of existing single-family homes (thousands $)	$66.0	$67.0	$71.7[E]

Sources: National Assn. of Realtors, local real estate boards NHCN charts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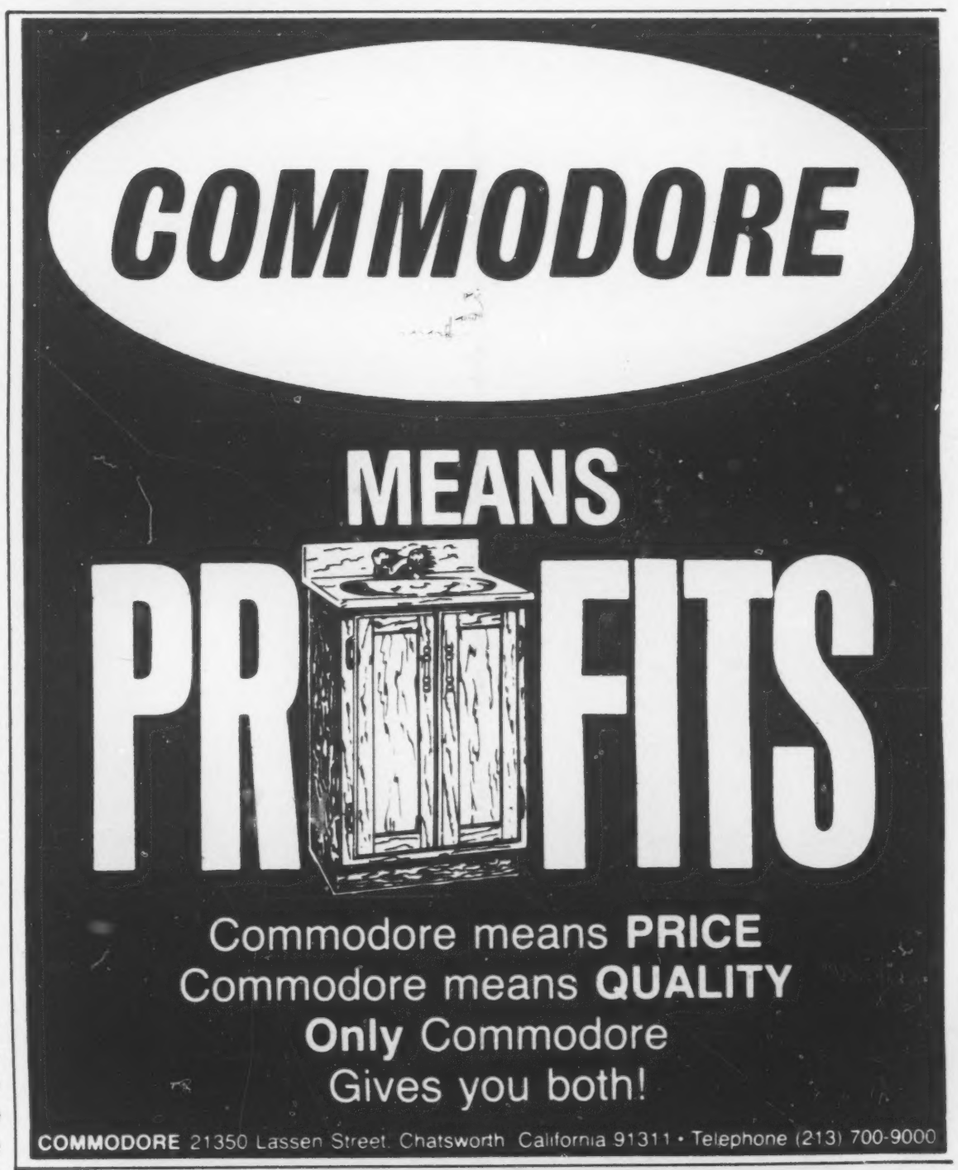

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ADVERTISING & MARKETING

DIY industry TV spending rising at 62% clip

NATIONAL REPORT—Spending among the industry's top 15 television advertisers increased 62% for the first three quarters of 1983, reaching a total of $15.9 million by Sept. 31.

According to statistics released by the Television Bureau of Advertising, TV expenditures rose fastest at Scotty's Inc. of Winter Haven, Fla., whose nine-month total of $887,000 represented an increase of 2,216% over the $38,-300 spent on television for the same period last year. Scott's of Linthicum, Md., also showed a dramatic increase, upping its TV allocation 1,348% to $338,-900.

Payless Cashways remained at the head of the list for the third consecutive quarter. Spending by the Kansas City, Mo., chain rose to $3,448,900 for 114 Payless Cashways and Furrows stores. Meanwhile, Lumberjack, the northern California home center company acquired by Payless last January, allocated $473,500.

Ole's Home Centers of Pasadena, Calif., continued the downward trend it began more than a year ago. The 33-store chain decreased its TV expenditure by 32%, allowing it to fall from $578,300 for the first nine months of 1982 to $390,800 during the same period last year. However, Ole's recently launched a new TV ad campaign with Phyllis Diller as company spokesman.

Hechinger of Landover, Md., lowered its TV expenditures by 6%, from $627,500 to $591,400, compared to the previous period.

The spending estimates, compiled by Broadcast Advertisers Reports Inc. (BAR) and broken out for the home center industry by the Television Bureau of Advertising (TVB), showed a considerable leap over expenditure levels from 1982, when only three of the top 15 chains allocated more than a million dollars to television. Spending among the top 15 for the first three quarters of that year totaled $9.8 million.

TVB spokesman Bob Grebe cautioned that BAR estimates provide only an approximate view of individual spending levels. Moreover, figures reflect TV time purchased, but not how much, if any, is reimbursed with co-op money; additional TV time is also often credited to manufacturers instead of local stores, he added.

Scotty's spent approximately $336,200 in six Florida markets during the third quarter alone. More than 80% of the 1,000 30-sec. spots purchased by the chain ran in Tampa and Orlando. Scotty's heaviest spending took place in July and August, when it spent $126,800 and $125,700, respectively. Spending for September was estimated at $83,700.

Scott's, with 17 stores in the Washington-Baltimore area, bought a little over half the number of spots purchased by Scotty's, but for about a third of the price because not all were 30 sec. commercials. The chain spent $128,800 during the third quarter, $77,000 of which was allocated for September. Half the 546 spots purchased were 10 sec. in length, the rest being 30-sec. commercials, while spending in the Washington market oupaced that for Baltimore by about 2-to-1.

Payless Cashways, which began its first concerted TV campaign in August 1982, spent $1.1 million in 14 markets during last year's third quarter, according to TVTS. The allocation bought 2,000 spots, all 30 sec. in length, with $788,900 worth running in September.

Payless' third quarter expenditures were heaviest in Dallas, where the chain spent approximately $576,000 for 612 commercials. The second heaviest concentration of TV coverage was in Houston with $228,000 spent on 204 spots. Columbus received an allocation of $118,-100 for 386 commercials.

Meanwhile, Lumberjack used a third quarter expenditure of $261,400 to purchase 1,147 30-sec. spots in the Sacramento market.

Sutherland Lumber followed Payless in the No. 2 position, with a $1,866,200 TV expenditure for the first three quarters of the year. The Kansas City chain spent $410,700 in 11 markets during the third quarter itself, purchasing a total of 1,824 30-sec. spots. More than $189,000 of the third quarter expenditure was allocated in September, the heaviest month of concentration.

Builders Emporium, the heaviest TV advertiser until last year, was shown in third place with a nine-month expenditure of $1,842,000. BE's third quarter spending was actually larger than Sutherlands', estimated at $461,900. The third quarter campaign focused solely on the Los Angeles market with 452 30-sec. spots. Far and away the largest portion of the third quarter expenditure—$200,900—was allocated during the month of July.

Top 15 TV ad spending Jan.-Sept. 1982-83

Chain	Expenditures Jan./Sept. '82	Jan./Sept. '83	% change
1. Payless Cashways*	$ 782,000	$3,448,900	+ 341
Lumberjack	307,600	473,500	+ 54
2. Sutherland Lumber	1,173,100	1,866,200	+ 59
3. Builders Emporium	1,549,000	1,842,100	+ 19
4. Home Depot	687,700	1,274,700	+ 85
5. National Lumber	1,004,700	1,179,300	+ 17
6. Lowe's	602,300	1,033,000	+ 72
7. Plywood Minnesota	774,700	930,700	+ 20
8. Scotty's	38,300	887,000	+2,216
9. Hechinger	627,500	591,400	– 6
10. Mr. Good-Buys	361,700	531,200	+ 47
11. Pay 'N Pak	393,600	492,600	+ 54
12. Menard Cashway	360,900	449,300	+ 24
13. Ole's Home Centers	578,300	390,800	– 32
14. Scotts Lumber	23,400	338,900	+1,348
15. Knox Lumber	168,100	291,400	+ 73

*Does not include Lumberjack, acquired by Payless in January 1983
Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data; *NHCN* chart

Canadian Show to introduce new exhibit section

TORONTO—The Canadian Hardware Show said it will introduce an international exhibit section at this year's show, to be held Feb. 12-15 in the Industry Building/Coliseum Complex at Toronto's Exhibition Place.

The show is produced and managed by the Canadian Retail Hardware Assn. For further information, write the CRHA at 6800 Campobello Road, Mississauga, Ontario, L5N 2L8; or call 416-821-3470.

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MERCHANDISING FEATURE:
Millwork swings to high end—pp. 15-19

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WASHINGTON DC 20014

National
Home Center News ®

Vol. 10, No. 2 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 16, 1984

New York catches warehouse fever

Warehouse home centers are hitting the Northeast, with Grossman's Long Island units among several making dramatic use of endcaps. An employee, on forklift at right, slides price cards into place. See story, page 3.

Home centers ride crest of holiday shopping wave

By Phillip M. Perry
NHCN associate editor

NATIONAL REPORT—Home centers experienced their strongest Christmas sales in years, according to an *NHCN* telephone poll.

Snow throwers, telephones, tools, artificial Christmas trees and "trim-a-tree" departments did particularly well.

Anticipating an increase in sales because of an improved economy, many stores added new product lines and expanded older ones. Despite these moves, inventories of such merchandise going into January were fairly clean.

"Our December sales were 50.4% higher than the previous year, making it our best Christmas in history," said Richard Fox, merchandise manager at Scott's, Linthicum, Md.

"It's been a phenomenal Christmas," said Harold Cohen, vice president of Somerville Lumber & Supply, Sommerville, Mass. "Our sales for December were about $4 million, up about 33% over the previous year's December."

"We've had double-digit increases in Christmas sales over those of the year before," said Tom Cawley, vice president of merchandising at Peter Kuntz, Dayton, Ohio. He cited a general improvement in the economy as one of the primary reasons.

Among other chains reporting higher Christmas sales than they generated for the same holiday a year ago were: Gee Lumber and Hardware, Chicago; Star Lumber & Supply, Wichita, Kan.; H&H Home Center, Seaside, Calif.; Builderama, Savannah, Ga.; All American Home Center, Downey, Calif., and Stambaugh-Thompson, Youngstown, Ohio.

One reason for the increased sales was clearly the economic recovery that caused shoppers to spend more Christmas dollars than they had for nearly five years.

Additionally, home centers took the initiative to attract a greater number of customers. Aggressive advertising campaigns were launched. Trim-a-tree departments were added to many stores. And home centers stocked attractive displays of telephones—a product that for the first time impacted their Christmas sales.

All American sold about 2,000 telephones in the month of December, at a price of $7.99, discounted from $14.99. The phones were displayed in a point-of-purchase configuration on an endcap.

In the two-week period just prior to Christmas, the store sold 125 cordless phones at $55 each.

Toward the end of December, All American followed up its successful Christmas telephone sale by promoting the $7.99 model at $2.99 to bring in customers during the post-holiday period.

(Continued on page 45)

Mich. Gen'l taps Brignole to direct Diamond fortune

By Greg Puchalski
NHCN senior editor

DALLAS—In its first major action since acquiring Diamond International's 97 home centers last September, Michigan General late last month named Mike Brignole, former president of its Krestmark door and window division, to head its new Diamond Lumber subsidiary.

Brignole told *NHCN* that his first major task as Diamond president will be centralization of the subsidiary's three regions.

The move is a step toward development of a purchasing and marketing program that takes full advantage of the combined buying power of 97 stores. Until now, Diamond's three divisions primarily did purchasing separately.

Diamond now has its headquarters and a regional office in Sacramento, with other regional offices in Boulder, Colo., and Wakefield, Mass. The new plan calls for relocating Diamond headquarters to Dallas, perhaps not this year, while maintaining the regional offices.

Several distribution centers are envisioned in the plan, which Brignole feels will make inventory management more efficient. A future point-of-sale system will provide the capability "of knowing what we have," he said, adding that Michigan General is aware of the unique problem it faces in consolidating its new subsidiary.

"The stores operate in unique areas," he said. "When you look

(Continued on page 45)

NEWSBREAKS

LOWE'S INTO MISSOURI. Lowe's will enter Missouri for the first time this year, with a 25,000-sq.-ft. store. While investors relations vp Bill Brantley would not reveal the specific market, he joked, "It's safe to say it's not Kansas City."

INSIDE:

HOUSING STARTS closed out 1983 on a strong note leading analysts to predict continued recovery in early 1984 .. Page 2
ENERGY PRODUCT BUYERS rely on lumberyards and hardware stores more than home centers, according to a new national survey ..... Page 3
OLE'S HOME CENTERS has modified every store in the chain with many warehouse features ..... Page 4
ORCHARD SUPPLY is re-evaluating its unique product mix and large number of sku's to combat competitive pressure Page 22
GROSSMAN'S heralded the opening of three Long Island warehouse stores last month with a blitz of newspaper ads Page 29
STAR LUMBER will have a computerized price book by this spring, moving closer to total inventory control ..... Page 37

Weyerhaeuser bids for greater share of distribution market

By John Caulfield
NHCN senior editor

TACOMA, Wash.—Weyerhaeuser, in a bid to reduce the cyclical risk of distributing primarily lumber, and to reposition itself as a stronger supply source for a retail building materials market, has set its wholesale distribution division on a new course, turning its 64 "Customer Service Centers" into separate profit entities, and launching an expanded product mix campaign dubbed, "First Choice."

Over the past six months, the nation's largest forest products producer has given its distribution center managers the autonomy to purchase wood products from whichever mills or wholesalers are offering the best price. The $5 billion corporation has also directed its distribution managers to expand their product mixes to include nonwood commodities previously not carried.

The addition of about 40 new product lines—including roofing, insulation, sheathing and metal products—has increased the inventory of each DC by around 10%, and another 10% was added to the DCs' wood products selection in dimensions and types more suited to retail sales. The DCs, which average 40,000 to 45,000 sq. ft. on six to seven acres of land, now stock from $1.5 million to $3 million in inventory at cost each, and in 1983 they collectively generated about $1 billion in sales.

This more aggressively competitive stance could make Weyerhaeuser a more attrac-

(Continued on page 46)

Latest Gov't figures show:

Improvement spending soars in 3rd qtr.

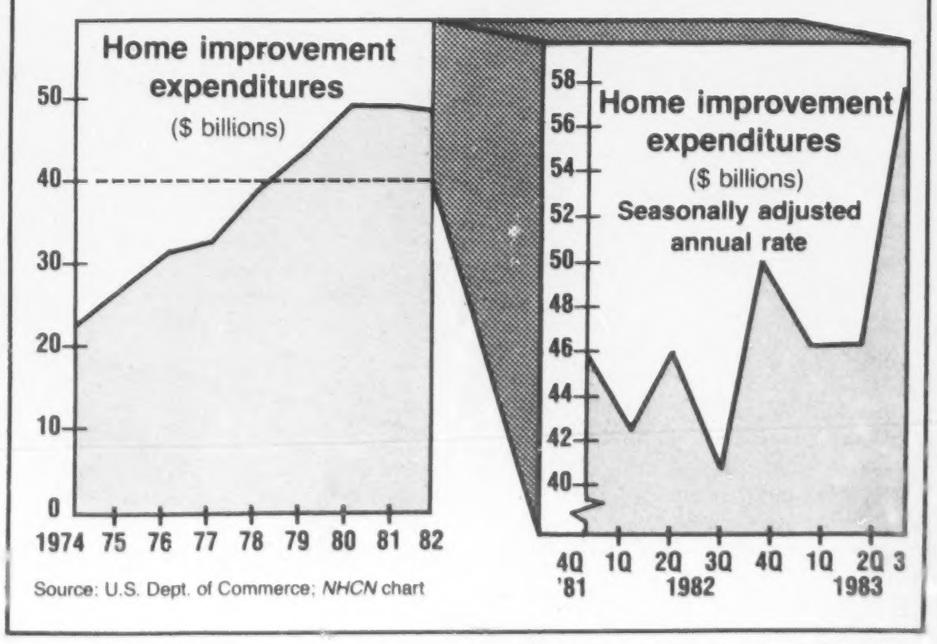
WASHINGTON—The level of home improvement expenditures hit a record high during the third quarter of 1983, soaring 24.1% above the second quarter seasonally adjusted annual rate of $46.5 billion, to $57.7 billion.

According to recently released figures from the U.S. Department of Commerce, Americans spent most of their home improvement dollars on additions and alterations, with expenditures reaching $26.9 billion on a seasonally adjusted annual basis. The figure was up from $25 billion during the second quarter, and $19.8 billion recorded during the first quarter, and well above the previous-year period $16.1 billion.

Maintenance and repair projects accounted for $18.5 billion of the third-quarter total, while

(Continued on page 46)

Home improvement expenditures—1974-83



Source: U.S. Dept. of Commerce; *NHCN* chart

The rate of home improvement expenditures soared to $57.7 billion during the third quarter of 1983, setting a new high.

NHCNews Briefs

Industry Update

Whse boosts Pay 'N Pak sales

KENT, Wash.—A 42% increase in volume at the flagship store here, since the unit was converted to a warehouse store in late October, helped to boost Pay 'N Pak's earnings by 47% and sales by 32% during its third quarter ended Nov. 30, officials reported.

The chain's net income reached $3,125,991 in the period on revenues of $68.1 million, they said.

The converted unit near headquarters is the prototype for other future Pay 'N Pak warehouse-type locations. The chain plans to open at least four more such stores, including one in Honolulu in April (*NHCN*, Oct. 24, 1983), by the end of the next fiscal year in February 1985, according to officials. Other warehouse outlets are scheduled to debut in the San Francisco area over the next three years.

Pay 'N Pak has also recorded a 24% store-for-store sales gain during the first nine months of fiscal 1984, thanks in part to the remerchandising of most of Pay 'N Pak's 100 units, the addition of lumber and building materials among other sku's to them and higher gondolas (*NHCN*, May 23, 1983). Remerchandising at the last 25 units in the chain will be completed this month, officials said.

Scott's considers '84 offering

LINTHICUM, Md.—Scotts Seaboard officials hope to open two to three new units per year beginning this year (*NHCN*, Sept. 26, 1983) and "is considering the possibility of raising additional capital for expansion through a public offering of securities in 1984," president Earl R. Halterman Jr. said in his third quarter report to shareholders.

Scott's, with 17 stores in the Baltimore/Washington market, more than doubled its store count in the last two years with the acquisition of seven former Frank's Hardware outlets as well as its own internal growth. The company presently has 1.8 million common shares outstanding.

With a possible sale of more stock looming, the company continues to grow at its present locations.

In the third quarter ended Oct. 29, 1983, Scotts Seaboard's net income rose to $65,000 from $4,000 in the previous year. The figure included an income tax benefit of $23,000 from a net operating loss carryforward.

Income from continuing operations, the 17 Scott's stores, before the extraordinary credit totaled $46,000 compared to a loss of $32,000 in the third quarter of 1982, officials said.

Scott's sales in the period rose 21% from a year ago to $8,647,000 as volume at each unit showed improvement, according to officials. The performance has stemmed from a strong marketing campaign, including twice as much advertising spending and television promotions, and a stable economy.

Peter Kuntz building largest unit

DAYTON, Ohio—Peter Kuntz Building Centers, a $50 million privately held chain, was scheduled to break ground for its largest unit during the first week of January.

Located in Englewood, Ohio, the new unit, the chain's 25th, has 40,000 sq. ft. of indoor space, including a 12,000-sq.-ft. warehouse. The store will also have 10,000 sq. ft. of outdoor selling area for lawn and garden merchandise.

Previously, the chain's largest store was a 35,000-sq.-ft. outlet in Huber Heights, Ohio (*NHCN*, July 4, 1983).

A summer opening is slated for the Englewood store.

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Vol. 10, No. 2 January 16, 1984

Takeover causes personnel shift as Payless eyes future markets

KANSAS CITY, Mo.—To smoothly incorporate the planned acquisition of H. M. Woods/Prime Home Improvement Centers into the chain, Payless Cashways expects to break out its Colorado market into a separate region, its fifth.

Shifts in corporate management resulting from this breakout will allow the 121-unit chain to have key personnel concentrate exclusively on its expansion into the eastern United States.

Stan Boyd will become Payless' third regional executive and will oversee the Colorado region, where Payless had operated seven stores. The market was made larger for the chain by its agreement to purchase Prime, whose 13th Colorado Hugh M. Woods store is expected to open next month.

Boyd, who joined Payless in 1974 and served as its district manager in Dallas since 1981, will also initially be in charge of Prime's two units in Las Vegas.

Along with the Prime acquisition, Payless plans to open 21 new units in 1984, many in the state of Ohio, where it will be cracking into the Dayton and Cincinnati markets for the first time.

The company is already looking ahead toward its 1985 expansion schedule, and, according to senior vp Dick Hemer, is investigating growth into several more eastern markets, most prominently Louisville, Ky., although no moves have been finalized.

"Our expansion this year is going to take up most of our time, but there are a number of areas in the East we're thinking about," he said. "However, we're not certain whether, in 1985, we'll attempt to move into some of those markets, or fill in our existing markets in Texas and California."

Eastern expansion does appear to be a priority with the chain. Regional vice president Larry Morrissey has relinquished his supervisory responsibilities over Payless' 18 stores in Iowa, Minnesota and Illinois "to devote more time to expansion in the company's eastern markets," according to a Payless spokesman.

Morrissey will continue to oversee the chain's Indiana and Ohio stores, and regional executive Bruce Hokanson will take over the states Morrissey no longer handles. Hokanson will also run Payless' 11 units in Nebraska and Missouri, but hands over his responsibilities in Colorado to Boyd.

All position changes take effect when Payless assumes ownership of Prime, expected sometime this winter.

Year-end housing figures indicate continuing recovery trend in '84

NATIONAL REPORT—With November seasonally adjusted total housing starts at 1.75 million units, 6% ahead of October and 29% greater than November 1982, last year drew to a close with the same strength that characterized most of the year.

Single-family seasonally adjusted starts were also up from October as were permits for both total and single-family housing. The year is expected to end with roughly 1.7 million starts, a 55% increase over the 1.08 starts of 1982.

Single-family starts are expected to reach 610,000 for 1983, up 48% from the 412,000 in 1982, according to the National Assn. of Home Builders.

The question now is whether last year's momentum will propel the housing industry through 1984. The NAHB and other housing industry observers are predicting that roughly the same number of houses will be built this year as last.

Many of the factors that helped swing housing back from 1982's low, with the worst production rate in about 40 years, are still operating. At the same time, however, other influences mitigate against this year surpassing 1983 in housing production.

According to Smith Barney Harris Upham vp Barbara Alexander, part of what fueled last year's rebound was high pent-up demand among potential home buyers, a sophisticated assortment of revolutionary mortgage instruments that improved affordability and the continuing appeal of homeownership's tax advantages.

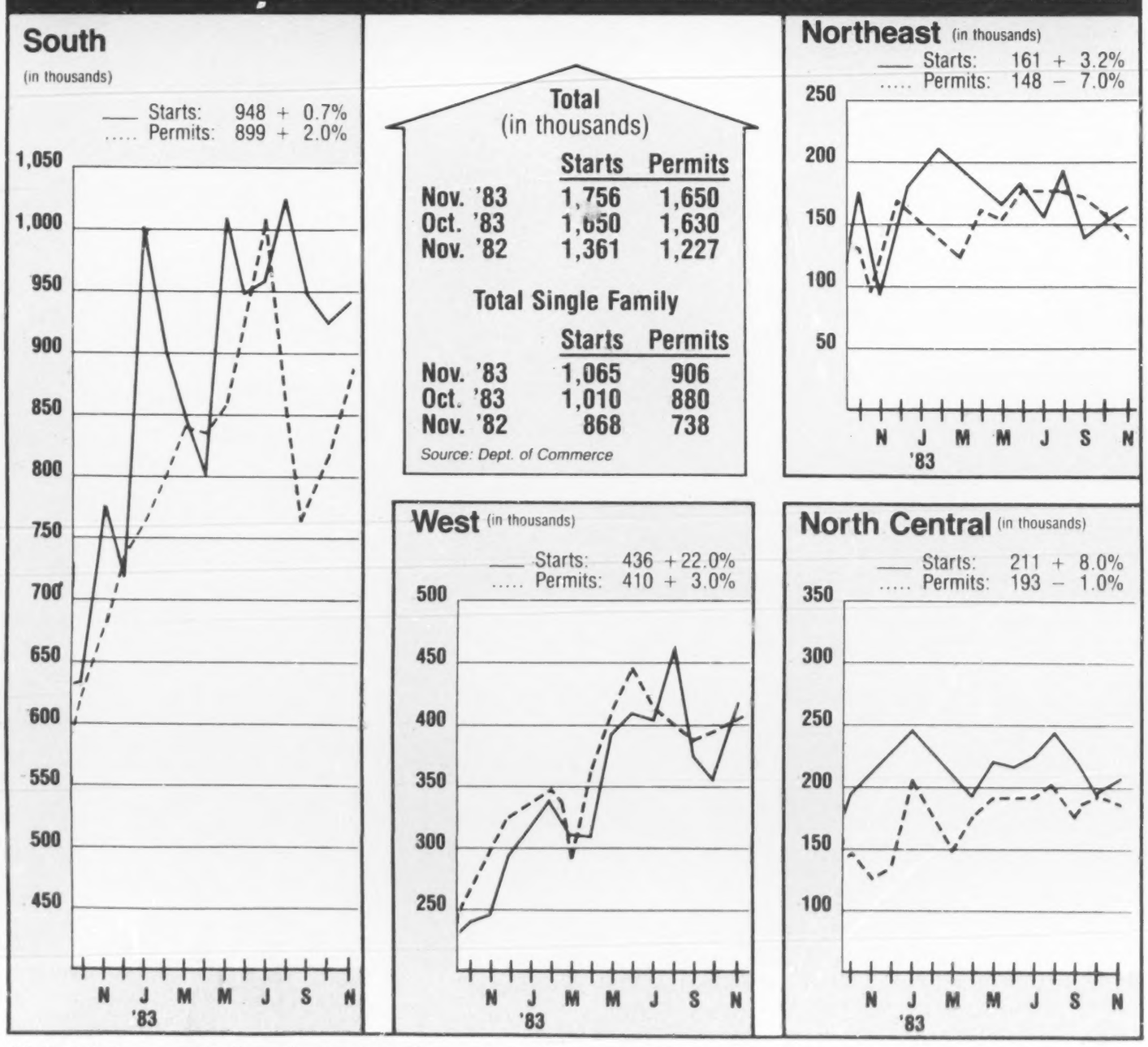
While tax benefits will continue to be an attraction, and more and more mortgage possibilities are available, Alexander questions whether last year vented much of the pent up buying pressure. Additionally, interest rates remain uncertain and could rise later in 1984, possibly dampening housing, according to Alexander.

On the other hand, the improved economy overall and the lessening of unemployment could bring more prospective buyers in the market and Alexander sees particular potential in trade-up home sales.

Home builders, polled in December by the NAHB, were also optimistic. Half expected

(Continued on page 45)

November home-building activity



November seasonally adjusted total housing starts reached 1.75 million, 6% ahead of October and 29% up from November 1982. Last year's total housing output is expected to reach 1.7 million, a 55% increase over the 1.08 starts of 1982.

Chains launch warehouse format in Northeast

By Kenneth Schept
NHCN executive editor

NEW YORK—Warehouse home centers, which to date have been primarily a Sunbelt phenomenon, have suddenly taken hold here in the Northeast.

In the past two months Grossman's, with a hand full of stores in the market, has converted three Long Island units to warehouses. And Long Island-based Pergament took the step, converting its largest Bethpage store to a warehouse format.

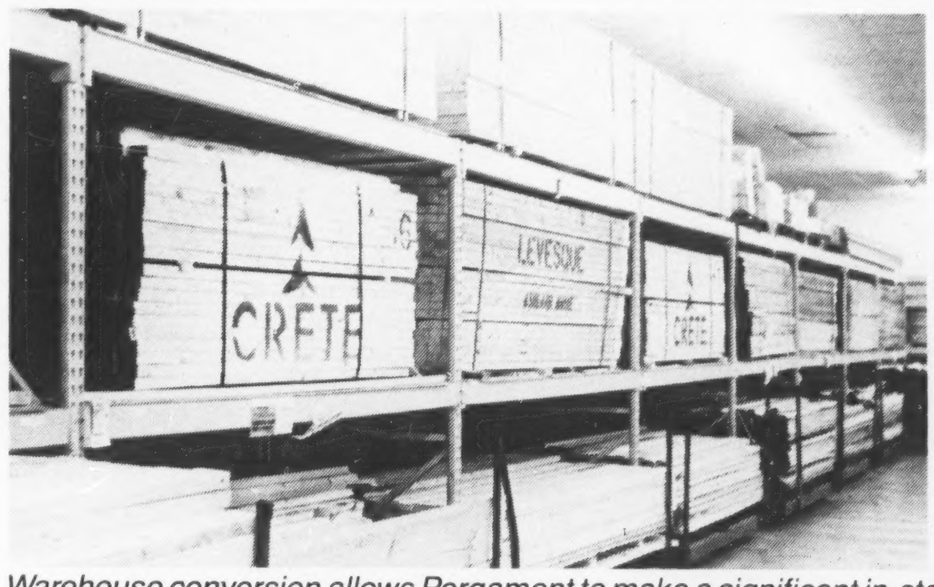
Meanwhile Rickel is expected to remodel a New Jersey store with warehouse racks within the next two months, according to a well-placed source outside the company, while its arch-rival Channel continues to experiment with warehouse stores in metro-Washington.

Additionally, Mr. Goodbuys, now capitalized with foreign investment, (*NHCN*, Jan. 2), will soon replace its Union, N.J., store with an updated warehouse and the firm is looking for more north Jersey locations.

Also in Union, four-store Jaeger Lumber plans to transform 80,000 sq. ft. of storage area adjacent to its main store into retail space. And on Long Island, Lumber Headquarters is considering warehouse remodeling for one of its 12 units, although it now appears such plans are on hold partly out of apprehension about the viability of warehouse retailing: "I'm of the old school," explained Lumber Headquarters executive Sy Mensher. "If it works someplace else, it [doesn't mean it will work] in the New York area. We have too shrewd a buying public." Time will tell.

The Grossman's Long Island venture represents a refinement of Grossman's Ventura and Stockton, Calif., warehouse merchandising and appears to be affirmation of its commitment to the warehouse style; Grossman's recently established a warehouse division.

In contrast, the Pergament's Bethpage conversion to the warehouse-style format is a first for the 40-store chain and provides space for a more complete product presentation than in the past. Pergament's Centereach, Long Island, store is the next target for warehouse conversion, according to a reliable noncompany source. Pergament gm, Marty Pepkin, said, however, that there were no warehouse plans beyond Bethpage.



Warehouse conversion allows Pergament to make a significant in-store lumber presentation, while Grossman's emphasizes lumber with endcap short board display. Below right, Grossman's Babylon, Long Island, store is a clean refinement of its California units; in its first warehouse venture, below left, Pergament uses fixtures to house a light cloud. NHCN photos

The Bethpage store has about 100,000 sq. ft. of space equally divided between a main floor and a basement. Until about six months ago the home center was downstairs and the main floor was taken up by discount concessions. In a move that required round-the-clock work for three weeks last fall, the home center moved upstairs and the concessions went to the basement.

The change clearly made a statement about the dominant business Pergament is in. The high ceilings on the upper level enabled the store to take on a new look with perhaps twice the amount of stock on the floor, while stock keeping units were probably not increased dramatically.

The conversion allows a substantial in-store presentation not previously associated with Pergament of dimensional lumber—stocked in bundled units on warehouse racks—boards and structural panels as well as gypsum.

"We use to sell 200 to 300 sheets of Sheetrock per week," said a knowledgeable store source. "We now sell 1,000 sheets."

The plumbing department, particularly, has also been expanded. Medicine cabinets doubled from 12 to 25, the source noted and the store is offering 20 vanities priced from about $29.99 to about $600. While no tubs were carried before, the store now offers several in various materials. Hot water heaters are another new item.

The plumbing is merchandised on warehouse racks with a few items displayed and much of the space taken up with cartons of inventory. Toward the end of the aisle are a few, small vignettes. And the rack is capped with a vignette including a whirlpool that faces a main traffic aisle.

The electrical department was also expanded. As the same source noted, "Last year we had six to [12 ceiling fans]. This year we have 25 to 30."

The fans are displayed in the front, right of the store near the entrance, suspended from an inexpensive lattice cloud. Merchandise is bulked underneath.

(Continued on page 46)

Scott's remerchandising: raising fixtures, boosting sku's by 50%

LINTHICUM, Md.—Scott's is now embarking on a major remerchandising program that will push fixture heights up to 8 ft. from their present 4 ft. to 5 ft. and accommodate a nearly 50% increase in the chain's stock keeping units, according to president Earl R. Halterman Jr.

He said that within two years after the remerchandising at each unit and combined with other programs such as improved advertising coverage, he expects a 50% sales increase per store. Through Oct. 29, 1983 encompassing the first nine months of the company's current fiscal year, the 17-store chain's sales were up 24% to $27.5 million from a year ago.

"We feel a need to stay competitive in our market [where Hechinger, Channel, Lowe's and 84 Lumber also do business]," Halterman explained. "We are trying to get a bigger market share and improve our sales per square foot. We also want to do what we can for the one-stop shopping concept. We've always felt we offer the best prices in the area. Now, we will be giving our customers a broader mix."

The sku count at the larger Scott's stores will increase by 5,000 to 6,000 items, Halterman said. Currently, the chain carries 9,000 to 10,000 items.

The increase will "probably be across the board" in Scott's basic product mix which includes lumber and building materials, lawn and garden, hardware and tools, he noted. However, Halterman did not rule out the addition of new product lines or a new department.

Scott's officials will begin the remerchandising at its 40,000-

(Continued on page 46)

Poll: Lumberyards attract more energy product buyers

EMMAUS, Pa.—Home centers attract fewer energy product buyers than do lumberyards and hardware stores, according to the results of a recent national survey.

Of homeowner respondents purchasing energy products during a recent 12-month period, 62.5% did so at lumberyards 52.1% at hardware stores and 38% at home centers. The figures total over 100% because many respondents purchased energy products from more than one source.

Sears and K mart were also popular energy product sources, clocking in at 29.5% and 25.7% respectively.

Plumbing supply stores, electrical supply stores and paint stores each attracted fewer than 20% of respondents.

The survey, entitled "Home Energy Audit Study," tabulated questionnaires returned by 1,602 subscribers to New Shelter, a consumer publication devoted to the topics of home improvement, repair and home financial management. Respondents were primarily suburban male homeowners with ages averaging 40.6 years and annual incomes averaging over $31,000. The average house they owned was 21 years old with 3.3 people.

The survey also tabulated the popularity of various energy products.

Increased interest in energy-related purchases was most dramatic in the categories of solar water heaters, solar reflective film, automatic setback thermostats and woodburning stoves. However, caulking and weatherstripping were still purchased more often than any other energy product.

While only 1.6% of respondents had purchased solar water heaters during the previous 12 month period, 10.1% planned to do so over the coming year. Further, more than 9 of 10 respondents who planned to purchase the item also planned to install it without outside help, while only 65% of those who had made such a purchase the previous year installed the product themselves.

While only 1.3% of respondents had purchased solar reflective film the previous year, 3.7% planned to do so over the next 12 months. Reflective window film was already installed in the homes of 3.1% of respondents.

Energy Product Purchasing Decisions

Product	Plan to Buy in next 12 months (%)	Bought in last 12 months (%)
Caulking/weatherstripping	48.7	68.6
Insulation	40.2	41.5
Storm windows/doors	20.8	25.4
Ceiling fans	15.5	19.5
Solar water heaters	10.1	1.6
Wood burning stoves	7.3	5.5
Automatic setback thermostat	6.5	3.1
Solar reflective window film	3.7	1.3
Kerosene heater	2.2	7.3
Electric quartz heater	1.2	3.1
Other electric room heaters	1.0	3.5

More subscribers to survey respondents plan to buy caulking and weatherstripping than any other energy product.

Source: New Shelter. *NHCN* chart.

Places where energy products were purchased in the last 12 months (% of respondents)

Lumberyard	62.5%
Hardware store	52.1
Home center	38.0
Sears	29.5
K mart	25.7
Plumbing supply store	19.4
Electrical supply store	18.6
Paint store	12.5
J. C. Penney	5.6
Ward/Jefferson Ward	4.3
Other	13.9

Respondents purchased energy products at lumberyards, hardware stores and home centers more often than at other retailers.

Source: New Shelter

A recent energy products survey revealed shopping patterns and purchasing plans of 1,602 subscribers to New Shelter, *a national consumer publication.*

Although 15.1% of respondents already had automatic setback thermostats, 6.5% planned to purchase them over the next 12 months compared with only 3.1% who had done so the previous year.

And 5.5% of respondents had purchased a woodburning stove the previous 12 months, but 7.3% planned to do so over the coming year, while 38% already had one installed in their homes.

Despite these increases, the most popular energy products remained the old standbys of caulking and weatherstripping.

Nearly half the respondents said they planned to purchase either product over the next 12 months, and nearly 70% had purchased the product the previous year.

Over 40% of respondents planned to purchase insulation over the next 12 months, about the same number that had done so during the previous year.

Fiberglass/mineral wool batts were the most popular insulation, and while styrofoam sheets and boards were only a third as popular, they still ran far ahead of loose cellulose, thermax and loose fiberglass.

Respondents who had purchased insulation the previous 12 months spent an average amount of $120.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Lowe's	11/25-4 wks.	$114,800	$84,900	35	—	—	—
Pay 'N Pak	11/30-3rd qtr.	68,106	51,755	32	$3,126	$2,124	47
Scott's	10/29-3rd qtr.	8,647	7,126	21	65	4	1,525
Scotty's	11/26-4 wks.	31,600	25,900	22	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

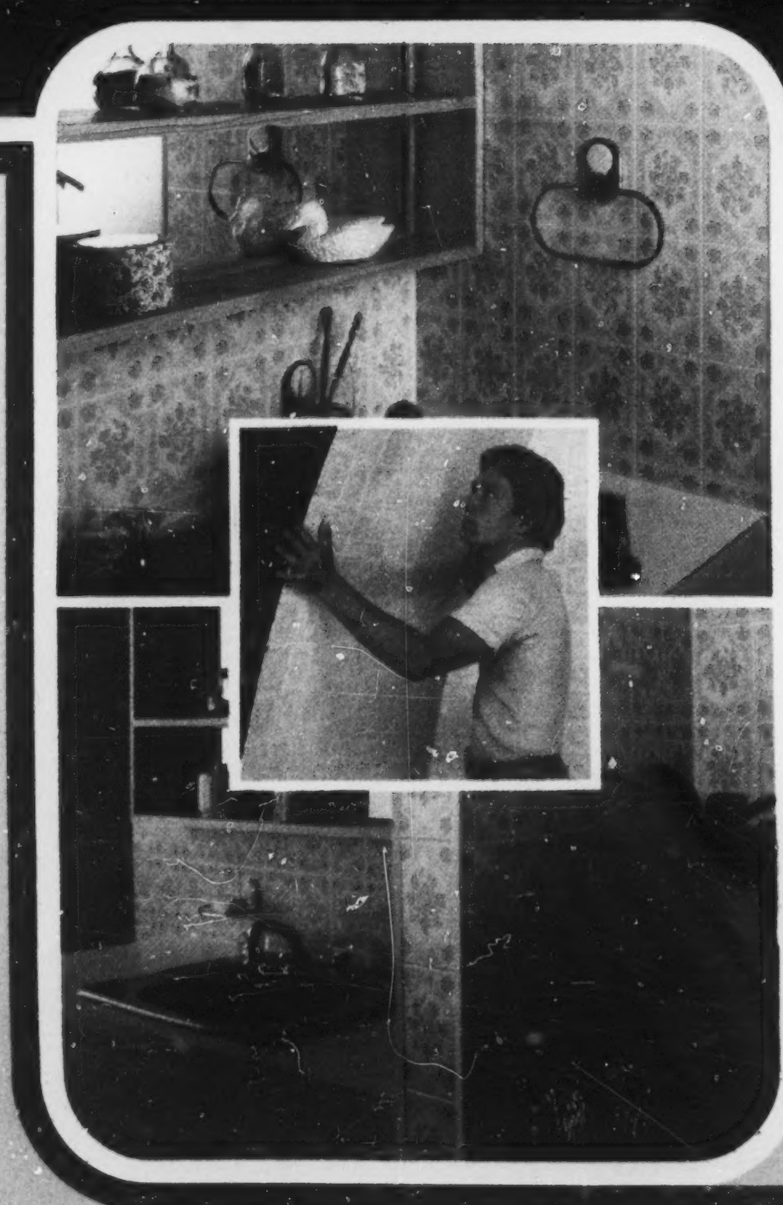
		As of 12/20	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		43	47⅜	34½	25
Edison Bros. Stores (NYSE) [Handyman, Homer's]		41⅝	46¾	25¾	12
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		9⅜	19½	7	—
Forest City (AMEX)	A	19¼	20⅛	9	55
	B	19⅝	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		46¼	50⅜	35¾	14
Lowe's (NYSE)		21¼	32¾	17¼	16
Michigan General (AMEX) [Diamond Lumber]		9¼	14	2¼	—
Pay 'N Pak (NYSE)		17½	24	15¼	16
Payless Cashways (NYSE) [Furrow]		22¾	34½	19	18
Scotty's (NYSE)		14⅞	21⅛	14⅛	14
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		15¼	16½	9⅞	—
Standard Brands Paint (NYSE)		21½	28¾	17⅞	13

Nasdaq—over-the-counter stocks

		As of 12/1	52-week High	52-week Low	P/E Ratio
Color Tile		17⅜	27⅝	13⅝	—
Hechinger	A	16¾	24¼	15	—
	B	16¾	33¼	14½	—
The Home Depot		24¾	31¾	12	—
Pay 'n Save		24⅜	29¼	15⅜	—

Over-the-counter stocks

	As of 12/1 Bid	As of 12/1 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	21	25	12¼
Hines Lumber	36½	38	41½	15½
Home Centers of America	9	9¼	15½	5
Home Centers of America [units]	28	—	51½	13¼
National Lumber	9¾	10¼	13¼	9¾
Scotts Seaboard [Scott's]	2¾	3½	4¾	⅞
Wolohan Lumber	5¼	5½	10⅛	5⅛



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FINANCIAL NEWS

Standard Brands posts 32.9% net income gain in third quarter

TORRANCE, Calif.—Standard Brands Paint's sales rose 13.1% to $79.6 million to help the company report a 32.9% gain in net income to $5.4 million during the third quarter ended Oct. 30 compared to the previous year.

Sales at Standard Brands Paint and Home Decorating Centers opened for more than a year were up 7.8% while volume at the Denver-based KWAL Paint outlets, acquired in April 1982, increased 23.8% in the period, they said.

The sales results were also helped by higher-than-expected volume of the company's Decade line of paint, according to officials.

They also attributed the earnings gain, which included $8,000 from the sale of real estate, to additional unit sales of self-manufactured products as a per cent of sales and continued implementation of cost controls as well as the overall sales gain.

FIFO gross margins increased from 44% a year ago to 44.8% in the third quarter based primarily on increased retail paint volume and increased productivity at the company's paint manufacturing plants, officials noted.

Standard Brands Paint's selling, general and administrative expenses in the quarter were up 5.3% to $24.9 million but as a per cent of sales, those expenses went down from 33.6% last year to 31.3% this year, company officials said.

Stock offering helps Home-Pro increase units

SAN ANTONIO—Home Centers of America, operators of five Home-Pro Warehouse stores, including four here, completed the sale of 800,000 common shares for $9.50 per share last month, underwriters D. H. Blair & Co. and William K. Woodruff & Co. announced.

The net proceeds from the $7.6 million offering are being used in part for the chain's expansion, including its debut by the spring in Houston and Lubbock, Tex., as well as other corporate purposes.

Company officials had initially intended to sell 600,000 shares (*NHCN*, Nov. 21, 1983) but raised the offering to meet demand.

The additional shares push the company's stock outstanding to better than five million shares.

Evans operating income up 16% in third quarter

PORTLAND, Ore.—Operating income and revenues at Evans Products' retail group rose 16% and 17%, respectively, during the third quarter as contractor volume rose almost 53% compared to the same period last year, officials said.

Contractor sales accounted for almost 15% of the total $273.9 million in third quarter revenues for the Evans chain, which includes Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson, they noted. For the entire year of 1982, contractor sales totaled 12% of volume.

Retail sales also grew by 13% on a year-to-year basis during the third quarter, helping boost the chain's operating profits to $25.1 million.

Officials said that while promotional activity resulted in a slightly lower gross margin, the percentage relationship of operating expenses to sales improved.

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LUMBER REPORT

Pine prices up, optimism high, but interest rates remain nagging

NATIONAL REPORT—Southern yellow pine prices have been soaring to near-record levels, probably on the strength of demand from treaters and truss plants.

"To try and put it in perspective," said William Knochel, assistant vp, Merrill Lynch Commodities, "about a month ago SYP eastside 2x4 cash prices were at a $60 premium to futures. Now the premium is at $100." His comments were made in late December.

"Now," he continued, "2x4 spruce could be delivered into the East United States cheaper than Southern yellow pine could be bought."

Tom Lindsey, Scotty's SYP buyer, noted that most pine 2x4s were selling last month at roughly 10% below their peak prices. Pine 2x4x12s sold at roughly $262 per thousand board feet, while record prices were set three years ago at about $298, Lindsey noted.

"A lot of people think prices could shatter right through that," he said.

Lindsey sees SYP 2x4x10s as the next potential big mover in price because so far that length has not rebounded as spectacularly as some others.

The SYP activity reflects last fall's lumber price movement generally. To an extent the market was a repeat of 1982, when lumber prices began to bounce back in October from the doldrums, with Western spruce going from about $125 to roughly $195 by January 1983.

"Last year there was a broader move," said Knochel, "although it hasn't been all species this year, a $20 and $30 move is nothing to sneeze at."

There are significant differences between this year and last, however, noted Chris Palmer, editor of Palmer's Lumber & Plywood Forecast. In the fall of 1982, production was just getting cranked up, while last fall it was at record levels. Also, there was virtually no inventory in the fall of 1982 and interest rates were falling.

Whether rates will continue to fall is the major question now for the lumber industry, Palmer feels. He suggests that the Federal Reserve could curb money growth early this year, an action that might drive rates up and lumber prices down.

Indeed, a recent survey by Random Lengths revealed that interest rates are the main concern of lumber dealers. Despite this worry, however, the same poll also showed considerable dealer optimism for this year: 80% of dealers nationwide thought this year would be better than last.

Palmer was not as optimistic as dealers about prospects for this year because he believes that, despite the coming election, the economy could be slowed.

"From my viewpoint 1980 was an election year and it was horrendous," he said. He expects lower prices early this year through summer.

Knochel takes a more bullish stance. Based on activity in the futures market during the late fall, he noted that many people were betting on increasing prices. Futures were at a substantial premium to cash markets in spruce and also some basis relationship items.

According to Knochel, the situation allowed some larger players to take a position on the cash market and sell futures against it. At one point the spruce 2x4s were priced at $157 in the cash market, while futures sold for $183.

Knochel noted that his office handled transactions covering roughly 500 cars of lumber on two or three different items during this period, with customers making $25 to $35 per thousand board feet on the difference between the cash and futures prices.

"Over the next 30 to 60 days I don't see much strengthening in pine. Down the road I see the whole complex going higher. The potential would be in items that are the bargains today. I think the whole picture will be higher down the road."

FUTURES

Two weeks ended Dec. 22, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '84	174.50	165.20	165.70	173.00	2,558	234.00	165.20
March	187.70	179.50	183.10	186.60	2,623	240.50	179.50
May	195.00	189.50	191.70	192.50	1,073	245.50	189.50
July	202.00	197.00	199.10	201.00	449	252.50	197.00
Sept.	202.00	195.50	198.40	199.50	416	236.00	195.50
Nov.	202.50	196.00	198.20	199.20	154	228.80	196.00
Jan. '85	209.10	205.00	206.00	208.50	33	221.30	205.00

Total Contract Vol. (Through 12/22): 26,089 — Previous Two Weeks: 23,163
Total Open Interest (As of 12/22): 7,306 — Previous Week: 6,859
Cash Price: $166.60 — Previous Week: $170.52 — Year Ago: $171.50

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '84	197.00	193.30	195.00	196.50	290	223.00	179.70
March	200.80	196.80	198.50	200.80	224	225.00	183.00
May	203.50	200.60	201.50	203.50	87	208.50	187.50
July	204.50	202.00	203.00	204.50	25	210.00	190.50
Sept.	207.00	204.00	205.00	206.00	2	212.50	201.00
Nov.	Not	Trading					

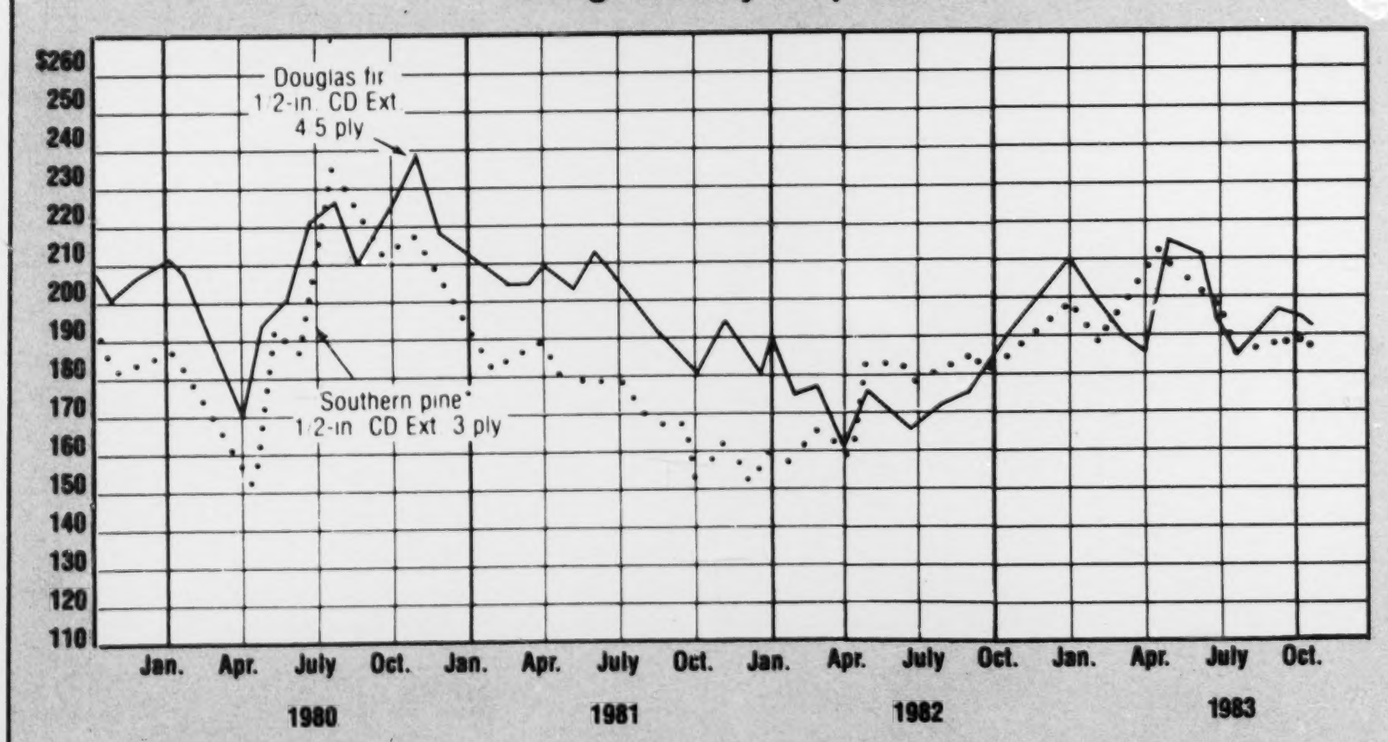
Total Contract Vol. (Through 12/22): 815 — Previous Two Weeks: 323
Total Open Interest (As of 12/21): 628 — Previous Week: 637
Cash Price: $198.94 — Previous Week: $197.96 — Year Ago: $166.20

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	—	—	—

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 12/22.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Plywood prices basically were even throughout the fall, although in early December there was some strengthening in western plywood prices, basically because of dealer demand and a lack of supply in the pipeline.

At the end of November, Douglas fir ½-in. CDX 4-5 ply sold for $193 per thousand square foot and Southern pine ½-in. CDX 3 ply dropped slightly to $189 per thousand square foot, according to Random Lengths.

Mich. General taps Brignole to head Diamond

(Continued from page 1)
at other retail companies like Payless Cashways and Lowe's, they operate in states that are contiguous. Diamond is a nationwide chain with many holes in between."

Consequently, there are no imminent plans for store expansion or contraction. Said Brignole, "We have our hands full now just taking on the subsidiary. We have enough to say grace over for 12 months."

Brignole did not rule out future store openings or closings, however. New stores might be located to "fill in some of the holes" in Diamond's nationwide network. The sale or closing of some units would not be new to Diamond, which shuttered about 25 units in the last two years under Diamond International's leadership.

Diamond lumber operates in five New England states, three Midwest states, Florida, Colorado, Wyoming, Texas, California, Idaho and Washington.

Vertical marketing planned

Michigan General's goals for its new far-flung venture remain the same as they were at the time of the acquisition. It hopes to increase consumer sales while also emphasizing contractor business to reach a 50%-50% mix (*NHCN*, Oct. 24, 1983). Currently DIY sales make up 35% of the chain's volume.

Additionally, Michigan General hopes to use the Diamond units in a vertical arrangement to market the Krestmark line of doors, windows and skylights.

At a recent meeting of the Financial Analyst Federation in Dallas last month, Michigan General officials reportedly told analysts that the Diamond acquisition would make better use of Krestmark's manufacturing capabilities, expand the manufacturer's geographical market by selling Krestmark products out of the Diamond stores and provide an opportunity for Krestmark's expansion into other products.

Brignole said Michigan General recently signed a licensee agreement with a German firm to sell vinyl windows.

"Michigan General said Krestmark will help Diamond in sales and marketing," said Jeffrey Beach, an analyst with Underwood Neuhaus.

While the Diamond purchase may put Krestmark products into new markets, Jessica Gallia, vice president of research of stock broker Eppler, Guerin & Turner, Dallas, said Krestmark must answer the question of its own distribution first.

With manufacturing facilities in Denver, Houston and Lewisville, Tex., and Hamilton, Ala., Krestmark may have to build another plant or a distribution facility to serve Diamond's widespread stores.

"We know we must address this," Brignole said.

To accommodate Diamond, Krestmark may manufacture more wood doors, he indicatd. In the past, much of Krestmark's business has been in aluminum products.

Michigan General itself has been in a major transition period in the last year and a half under Boudreau. The changes, in general, have been received favorably by analysts and by the stock market which has boosted Michigan General's common shares on the American Stock Exchange from under $2 per share a year ago to a 1983 high of $14 per share.

On Dec. 30, Michigan General stock closed at 9.13, a 265% jump over its 1982 year-end price, making it one of the year's 10 largest gainers on the American Stock Exchange.

Boudreau came to Michigan General in May 1982 after serving as president of Bel-Air Home Products and helping three of its subsidiaries out of Chapter 11 bankruptcy proceedings.

Although Michigan General was in better condition when Boudreau arrived, it had had an erratic recent history. Losses through 1981 had produced a $4.5 million retained earnings deficit in the company's balance sheet.

Boudreau and a staff of executives who had worked under Chapter 11 conditions at other companies worked quickly to reduce company debt, sold off portions of the company and tightened the firm's hold on its subsidiaries.

Writing off goodwill and reducing debt increased the retained earnings deficit to $13.3 million by the end of 1982, but through the first nine months of 1983, the company had net income of almost $6 million.

Among the recent moves to reduce debt and increase the company's net worth have been the offering of 110,000 units of common stock and debentures totaling $110 million. Some of the proceeds were used to redeem preferred stock used to fiance the $120 million Diamond deal.

In addition, Michigan General issued 1.7 million common shares and almost 600,000 warrants in exchange for $15.5 million of 10⅞% and 14% sinking-fund debentures due in 1992.

"The financing was important," said Eppler, Guerin & Turner's Gallia. "There was too much debt, in my opinion, on the balance sheet. Boudreau has a good handle on the company, but all this will take time."

Underwood Neuhaus' Beach noted, "The balance sheet is certainly a lot better than in the past. However, they have gone from five million shares to over 14 million full-diluted shares. Even if they do well, the huge jump in the number of shares will dilute earnings per share."

Core businesses established

Additionally, in the last two years, several subsidiaries, including a furniture retailer, paint and painting-related segments and highway products manufacturing divisions, have been sold. The divestiture phase is probably not complete, however.

Brignole confirmed that Michigan General is aiming to have Krestmark, Diamond and Savannah Wholesale, which operates 81 clothing stores under the Allied name in the Southeast, as its "core" businesses.

The company still operates a publishing company in New York, furniture stores in the Rio Grande Valley of Texas and a motor homes business among other divisions.

The company also underwent a management change in the second quarter of last year with the three top executives left from the pre-Boudreau era resigning their positions and directorships.

Chairman and ceo Charles E. Weed, vice president, administration, and secretary Dorothy H. Moore and vice president, general counsel Stanley G. Springer all left the firm after serving it since the late 1960's.

Michigan General is also considering a name change, officials confirmed. The current name actually is a leftover from the past when, in 1968, the company was organized "to succeed to the business of a coated abrasive manufacturing company founded in Michigan in 1947," according to the 1982 annual report.

Quipped Gallia, of Eppler, Guerin & Turner: "It [the current name] sounds like an insurance company."

Home centers report lofty Christmas sales

(Continued from page 1)
H&H Home Center sold $8,000 worth of cordless phones, which were endcapped in large quantity and discounted from $169 to $129.99, for a model which cost the store $114. The independent featured that item on the front of a holiday tab, along with a Black & Decker small vacuum and a rechargeable light. The store sold 200 of the vacuums for $26.99 and over 200 of the lights for $23.99.

The hottest items at Somerville Lumber were snow throwers, which also did well at other home centers such as Gee Lumber and Star Lumber.

"We bought 300 Toro snow throwers and advertised them from Nov. 27 to Dec. 10," said Harold Cohen. "By Dec. 8 we had sold out."

While the snow throwers were characterized by Cohen as the "most dynamic" items this Christmas, he also pointed to chain saws and micro-wave ovens as big items. The two Somerville stores sold hundreds of chain saws at $90.98 each, and from 200 to 300 ovens at $269.95, with a free telephone thrown in to stimulate sales.

High ticket merchandise moved well at Somerville in part because it was emphasized in its holiday tab.

Snow removal equipment was also popular at Star Lumber, where advertising manager David Gregory attributed sales to the memory local residents had of heavy snows the previous year.

When the chain ran a promotion from Nov. 6-24, promoting a $129 Toro snow shovel for $99, it sold out its stock of 144. It came close to selling out again the following month, when it ran another promotion that moved over 200 of the items.

Builderama not only added new lines of telephones and chain saws to its Christmas gift assortment, but also built up its inventory of tools, hand carts, step stools and socket sets. "Although we had carried these in the past, we brought in truckloads of them for the recent holiday season," said general manager Jim Smith.

Stambaugh-Thompson enjoyed "a very strong sell-through" in such departments as power tools, kerosene heaters and other heating equipment, according to Don Senne. As a result, the chain is not going into 1984 with excess merchandise, so gross margins in January and February will be kept high.

Many home centers said their Christmas tree and "trim-a-tree" departments were highly successful this year.

Scott's had dropped its trim-a-tree department four years ago, primarily because of the carry-over of stock, even after the stores had run their 50%-off clearance sales. This past Christmas, however, the chain re-entered the field.

"In the past four years, our store traffic has increased substantially," he said. "This encouraged us to take on a Christmas line again." Rather than buy from a variety of vendors, as it had done in the past, the chain picked one dependable vendor and bought its complete trim-a-tree line from there, insuring a better quality of merchandise.

As a result, the chain's carry-over was only 10% by the end of last month, and Fox said this would be easily disposed of in a clearance sale.

Peter Kuntz added trim-a-tree for the first time this past Christmas, in what Thomas Cawley called "a constant search for new business." The department was added to its three largest stores in Dayton, and was geared toward the medium-priced merchandise, as other stores in the area were offering either very expensive or very inexpensive lines.

Commerce Distributors, Linthicum Heights, Md., was not surprised by glowing reports from home centers concerning trim-a-tree sales. "Our sales of trim-a-tree department products are up 70% over Christmas a year ago," said Aaron Lessans, president of the company which distributed over $3 million worth of trim-a-tree products to 10 home center chains last Christmas, including Scott's, Hechinger and Hardware Fair.

"All of our home center customers reported Christmas sales increases of 30% to 50% this past season over the previous year," he said.

Moreover, Lessans expects next Christmas to be even better. "I've already placed a Christmas light commitment that is double what it was for this past season," he said.

Christmas trees also moved fast at home centers.

All American sold 17,000 fresh-cut Christmas trees at an average price of $14 with price points of $5.55, $15.99 and $18.99 selling about equally. The previous Christmas, the huge independent had sold 15,000 trees.

Gee Lumber sold through its inventory of a new line of artificial Christmas trees.

Somerville Lumber distributed one million copies of this tab to promote high ticket Christmas sales.

Housing growth to continue in '84

(Continued from page 2)
that in the first six months of 1984 their sales would be fair; 40% thought sales would be good to excellent.

The Northeast seemed the strongest region. No builder polled there about single-family sales said prospects were poor. The Northeast was also strongest in town house and condominium sales and in the number of prospective buyers visiting model homes.

The outlook is not universally upbeat, however.

The NAHB has been consistently critical of the size of the Federal deficit and that view continues to moderate builders' otherwise upbeat view of the near future.

"While builders are confident that the recovery will continue through the first half of 1984, they are greatly concerned that runaway Federal deficits will push up interest rates later in the year," NAHB president Harry Pryde noted in a prepared statement.

"That means builders will be scrambling to get their homes started and sold before interest rates start rising late in the year," he continued.

Meanwhile, existing single-family home sales were also strong last year relative to 1982. While the National Assn. of Realtors has not yet released its predictions for 1984 resales, it should be a sign of encouragement.

The NAR expects a 6.2% rise in the median price of an existing single-family home during 1984. Through last November the price rose 3.8% to $70,300 from $67,700 in 1982.

The total 1983 resales of existing single-family homes was expected to exceed 2.7 million, a 35% hike from the roughly two million resales in 1982, according to the realtors.

November's figures, released by the NAR in late December, show this upward trend continuing. Resales were 0.8% ahead of October at 2.63 million. As with the homebuilder survey, the strongest market was the Northeast.

How this second year of the housing recovery will unfold regionally is not completely clear. The home builders report that while strong single-family sales are expected to continue in certain markets, like Dallas-Fort Worth, Houston and Phoenix, those areas are overbuilt with multifamily units and production should slow. Smith Barney's Alexander notes that a similar situation could be true of Denver and Atlanta.

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KITCHEN & BATH SUPPLEMENT:
Courting project-oriented DIYers—pp. 23-36

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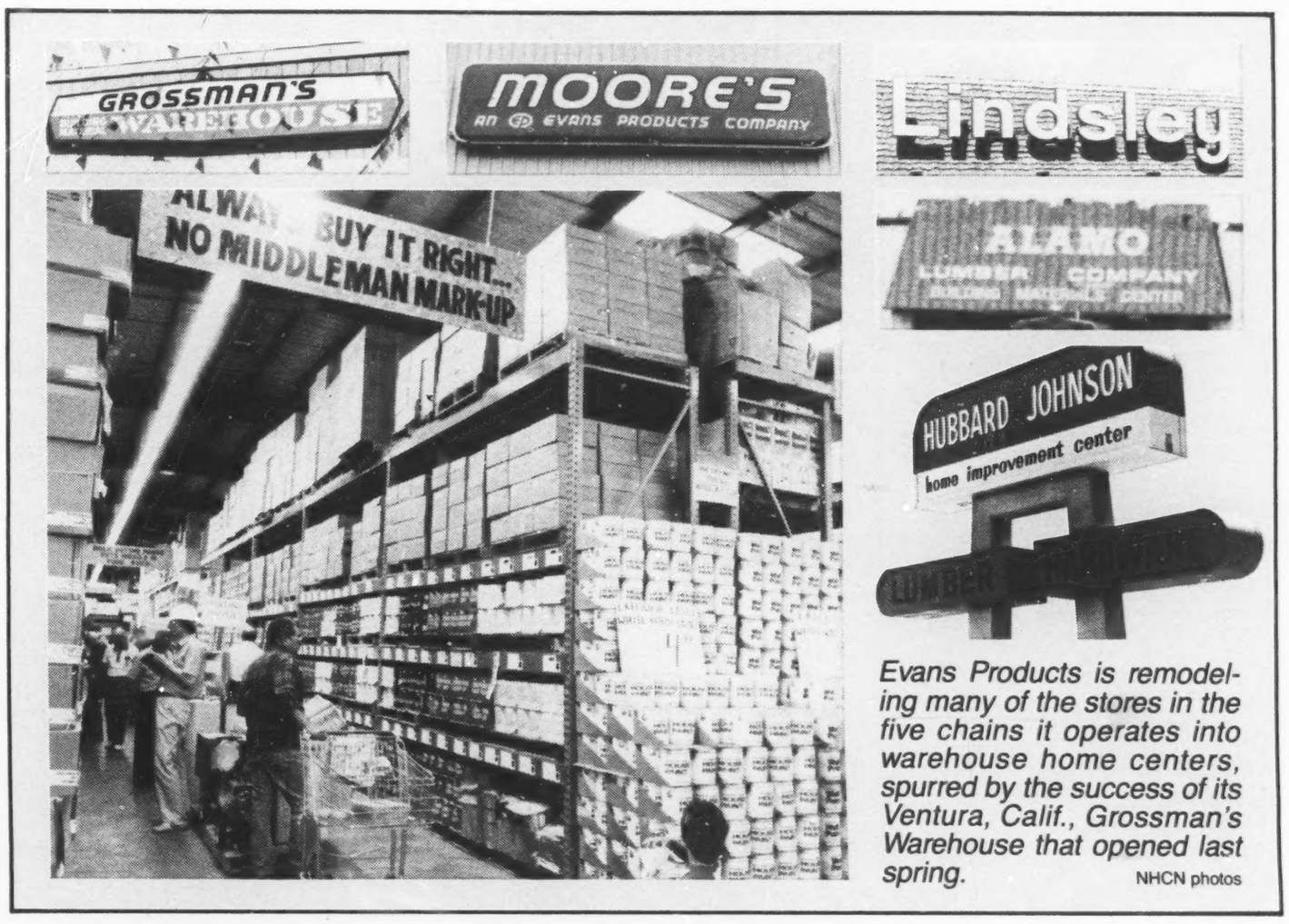
Home Center News ®

Vol. 10, No. 3 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 30, 1984

Evans mobilizes for warehouse store rollout



Evans Products is remodeling many of the stores in the five chains it operates into warehouse home centers, spurred by the success of its Ventura, Calif., Grossman's Warehouse that opened last spring. NHCN photos

By Brad Altman
NHCN West Coast editor

BRAINTREE, Mass.—Evans Products' retail group is making a major commitment to warehouse home center retailing that will touch the five chains the company runs nationally.

Certain locations now operated as Grossman's, Lindsley and Moore's units will be remodeled as warehouses. Some new stores for each of those chains will also be warehouse operations. The Hubbard & Johnson and Alamo chains may also be affected.

Early this year Grossman's will enter the Los Angeles market with a warehouse in Paramount, a suburb. The chain will also open two large warehouse units in central New Jersey and convert a California and Pennsylvania store. Four Lindsley's will soon be converted in Florida and two Moore's in North Carolina. New Evans sites will be sought in the San Francisco Bay area.

To implement this warehouse strategy a new division was created to oversee store development in the Southwest. Additionally, other retail group divisions have formed special management teams to articulate the warehouse approach in their respective chains.

Evans took its first step in the warehouse direction last spring with the opening of the Ventura Grossman's Warehouse (*NHCN*, June 6, 1983). That test was followed with a second store in Stockton, Calif., and further experimentation with three Grossman's units on Long Island (*NHCN*, Nov. 21, 1983). Grossman's has also adapted the warehouse racking and bulk display approach in its Saugus, Mass., unit.

Evans retail group president Maurice "Mike" Grossman characterized the current developments as more of the same.

"This is a push for major store experimentation," he told *NHCN* during a telephone interview. "In every division we're doing a little something. All we're doing is running some experiments in the five divisions."

Reportedly, the original California and Long Island experiments have proved successful, more than doubling the volume of a typical Grossman's, estimated at under $3 million. (The average Evan's store generated $2.3 million in 1982.) Further success and continued warehouse conversion would have major implications for the home center industry because of Evans' large size, with 345 stores in 20 states and volume last year estimated at about $900 million.

"The retail group is taking an aggressive, pro-active [as opposed to reactive] stand, not only to protect our current market share, but also to take part in the warehouse revolution that is taking place in our industry," Grossman noted in a recent prepared statement. He added, however, "Under no con-

(Continued on page 62)

Lowe's 'store of the future'

Lowe's new prototype in Mauldin, S.C., emphasizes stylish displays of higher-end merchandise and a deeper product mix. Above, kitchen and bath area showcases cabinets, sinks and appliances in more life-like settings, with a new graphic look to its signing. See story, page 15.

NEWSBREAKS

HAL'S CLOSES A STORE. Hal's has closed its unit at 124th Street and Capitol Drive in Milwaukee, leaving it with a single store in the city. President Robert Nahodil said the company "couldn't get the store to break even" after 19 months in operation. Officials are seeking to acquire a new store site in West Allis, Wis.

NEW SOMERVILLE UNIT SET. Somerville Lumber expects to open its third unit by July, a 112,000-sq.-ft. facility including warehouse space, located south of Boston in West Bridgewater, Mass.

INSIDE:

BUSY BEAVER tests an appliance/TV department that could be expanded in more of the chain's 28 outlets ..... Page 3
OPTIMISM FOR A STRONG YEAR ran high at the Northeast Retail Lumbermens Assn. convention in Boston ..... Page 3
AN OHIO ENTREPRENEUR turns a 132-year-old grain mill into a modern home center while retaining the building's 19th century design ..... Page 3

South Florida independent plugs into shop-at-home video network

Nation's 1st hardware dealer to join Viewtron gears up for the future

By Phillip M. Perry
NHCN associate editor

MIAMI BEACH—Central True Value Hardware, a $3 million family-run operation in this resort town, has become the first hardware store in the nation to offer merchandise over a videotex shopping service.

Now celebrating its 30th anniversary, Central joined a videotex service called Viewtron earlier this month, a move intended to position the store on the threshold of what it sees as the dawn of electronic shopping.

Viewtron, a Knight-Ridder subsidiary, became America's first operating videotex service when it began last November, and is still the only one operating in the nation. Two additional videotex services, Keycom and Gateway, are slated to begin operation by summer.

A videotex service allows customers to review descriptions of merchandise in their homes over video terminals called order entry devices, and also to order such merchandise by punching the right buttons on a keyboard. Messages are transmitted electronically over public telephone lines.

"Videotex is going to be an important way to do business in the not-too-distant future," said Jack Siegel, president of Central Hardware, a firm run by three brothers. He added he did not expect the new shopping service to "go great guns immediately," but that by getting on early the store was positioning itself for future growth.

"When you read about electronic banking and electronic retailing in the media, you get a gut feeling it's going to happen," he said.

Videotex offers the store a natural extension of its traditional merchandising strategy, added Siegel. "Ever since we opened, we have offered free delivery to the Miami Beach area," he said. "A significant

(Continued on page 62)

Winter Hardware Show: over 380 new vendors but big names missing

By John Caulfield
NHCN senior editor

LAS VEGAS, Nev.—Attendance at this year's second annual Winter Hardware & Home Center Show is expected to surpass the 21,000 mark set in 1983, but industry officials coming here next month will probably find the complexion of exhibitors different from a year ago.

The total number of vendors exhibiting has dropped to 750 from 915 last year, and only 60% of those companies taking booths last year have signed up to exhibit again. However, more than 380 new suppliers will be showing their products at the convention center from Feb. 11-13.

Moreover, 47% of the vendors participating in this year's show did not exhibit at the National Hardware Show in Chicago last August, according to a survey conducted by the show's sponsor, the American Hardware Manufacturers Assn. (AHMA).

The physical size of the show has dropped correspondingly to 170,000 sq. ft., from 200,000 sq. ft. in 1983, with show management still charging last year's $10.25 per square foot.

Winter Hardware & Home Center Show exhibition hours and Hard Lines Conference seminar schedule, page 4

Along with the show's revised vendor make-up, dealers will also find more attention has been paid by show organizers to scheduling stronger seminars

(Continued on page 62)

NHCNews Briefs

Industry Update

Payless' '83 earnings rise 50%

KANSAS CITY, Mo.—Payless Cashways earnings in 1983 rose 50% to $34.6 million on sales of $864.9 million, up 45%.

The 121-unit Payless saw its income in the fourth quarter, ended Nov. 26, jump 25% to $10.2 million with sales during that period increasing to $251.2 million, a 40% gain. Comparable store sales for the fourth quarter and the year were up 16% and 18%, respectively.

Company president David Stanley attributed the sales and earnings gains realized by the chain to "improved marketing and merchandising," two areas Payless has placed greater emphasis on in 1983.

Last year, Payless' earnings per share were $1.29, compared with 96¢ in 1982, a 34% increase, and its weighted average of common stock outstanding for 1983 was 26,879,000 shares.

Central opens St. Louis whse

GRANITE CITY, Ill.—Central Hardware recently opened its first warehouse-type store in the St. Louis market here in a Central facility that was destroyed by a tornado more than a year ago.

Central had advertised the unit as having "an exciting new Central look with the largest indoor lumber department in the U.S.A.," but officials at the company refused to comment on the new store any further.

Industry sources noted, however, that about 20% of the 60,000- to 70,000-sq.-ft. store utilizes 8-ft. white warehouse racking for displays.

About 25% of the unit features lumber and building materials, they said, but the store also makes a strong showing in such areas as electricals and ceiling fans. The unit also shows a beefed-up display of furniture while de-emphasizing kitchen display space somewhat, sources said.

Home-Pro sees 3rd qtr. net loss

SAN ANTONIO—Home Centers of America reported a net loss of $1.95 million, or 44¢ per share, on sales of $10.6 million for the 13 weeks ended Nov. 27.

According to Frank Denny, chairman, profits were negatively impacted by preopening expenses for three new Home-Pro stores in the third quarter. Home Centers was formed in March 1983 and currently operates five warehouse-style stores in Texas.

Despite the quarter's losses, Denny said the Home-Pro Warehouses have achieved strong consumer acceptance, with sales averaging over $220,000 weekly per store and customer counts averaging 10,000 per week per store.

"Now that dominant market shares have been achieved in the San Antonio and Corpus Christi markets, we expect operating expenses as a percentage of sales to decrease," said Denny. However, he said the fourth quarter "will be further negatively affected by new store opening expenses for two stores in Houston and one in Lubbock."

Menard opens two new stores

MILWAUKEE—Menard Cashways, the 21-unit retailer from Eau Claire, Wis., opened two 50,000-sq.-ft. stores here last month, bringing its number of units in the market to three.

Company president John Menard said the new outlets, located west and south of the city, give the chain full store penetration in the metropolitan area.

Milwaukee became a new market for Menard early last year, when the chain opened a store north of the city.

National Home Center News

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Vol. 10, No. 3 January 30, 1984

HomeOwner's to expand in Mich.

By John Caulfield
NHCN senior editor

DETROIT—HomeOwner's Warehouse, which has plans to expand by 10 units this year, is about to make its first penetration into a market outside Florida.

NHCN has learned that Detroit has been targeted for HOW's growth by its parent company, Service Merchandise Corp., which is exploring both purchasing land for new construction and leasing second use buildings for "two to four" store openings here by this fall.

Service Merchandise chairman Raymond Zimmerman said there was "better than a 50-50 chance" that the deal for the Detroit sites would be consummated by the end of January. HOW president Pat Sher refused to comment except to note that no Detroit deals had yet been signed.

In addition, Zimmerman said that "the papers have been signed" to acquire the land to build a 70,000-sq.-ft. HOW unit in Jacksonville, Fla., next to which will be a Service Merchandise catalog showroom.

He was noncommital on any future markets for expansion, saying only that "we're looking in a number of areas around the country, not just in the Sunbelt." He added that, while his company has been "talking" to officials from Montgomery Ward about acquiring some of that chain's stores, it was "unlikely" that any Ward unit—some of which operate in the same strip malls as Service Merchandise catalog showrooms—would be acquired for expanding the HOW chain.

HOW, which was purchased last June by the Nashville-based Service Merchandise for $14 million, currently has two units operating in Coconut Creek and Plantation, Fla., the

(Continued on page 61)

Knox leaning toward whse ideas

By David Morgan
NHCN field editor

ST. PAUL—Knox Lumber has settled on a new interior design for its Twin Cities stores that calls for a wider use of warehouse racking and the addition of building materials to the showroom floor.

The design most likely will be unveiled this spring in Newport, Minn., where the company is building a 45,000-sq.-ft. retail store—its sixth in the area. Meanwhile, Knox also plans to combine sales floors with adjacent warehouse space at four existing units.

Company officials thus far have not fully commented on the scope of the proposed changes. However, president Larry Platte said the chain has "definite plans for a new look" for its metropolitan area stores. It was not known how the plans might effect Knox's remaining units in Duluth, Minn.; Billings, Mont.; Sioux Falls, S.D., and Fargo, N.D.

Platte said the Newport opening will give Knox its first new store in five years. The last one opened in 1979, a year before the chain was acquired by Southwest Forest Industries.

Though the takeover had been expected to fuel a major Knox expansion program, its arrival coincided with recession in the forest products industry and the anticipated growth never materialized.

The president had no comment on the chain's latest expansion plans, which call for a multistore entry into a metropolitan area outside the Twin Cities. Some 2.4 million new shares, filed jointly by Knox and Southwest with the Securities and Exchange Commission last November, had not begun trading as of Jan. 10. The offering is expected to raise $36 million, $7.5 million of which would go to Knox for expansion and remodeling.

Knox stores in the Twin Cities currently range in size between 20,000 and 30,000 sq. ft., each being accompanied by a lumber and building materials warehouse.

According to Platte, the new design will not greatly affect the actual size of Knox facilities. Though the Newport store's showroom will be 15,000

(Continued on page 61)

Realtors predict home turnover to hit 3M units

WASHINGTON—Existing single-family home sales in 1983 rose by 36% over the previous year to 2.61 million according to the National Association of Realtors.

This improvement will continue this year when existing home sales are expected to rise to three million, the group predicts.

In November the realtors' affordability index reached its highest level in nearly four years, 84.9. The November increase marked the fifth consecutive month of improving affordability, 0.2 above the October level.

The housing affordability index measures median family income as a percentage of income needed to qualify for the purchase of a median-priced existing home.

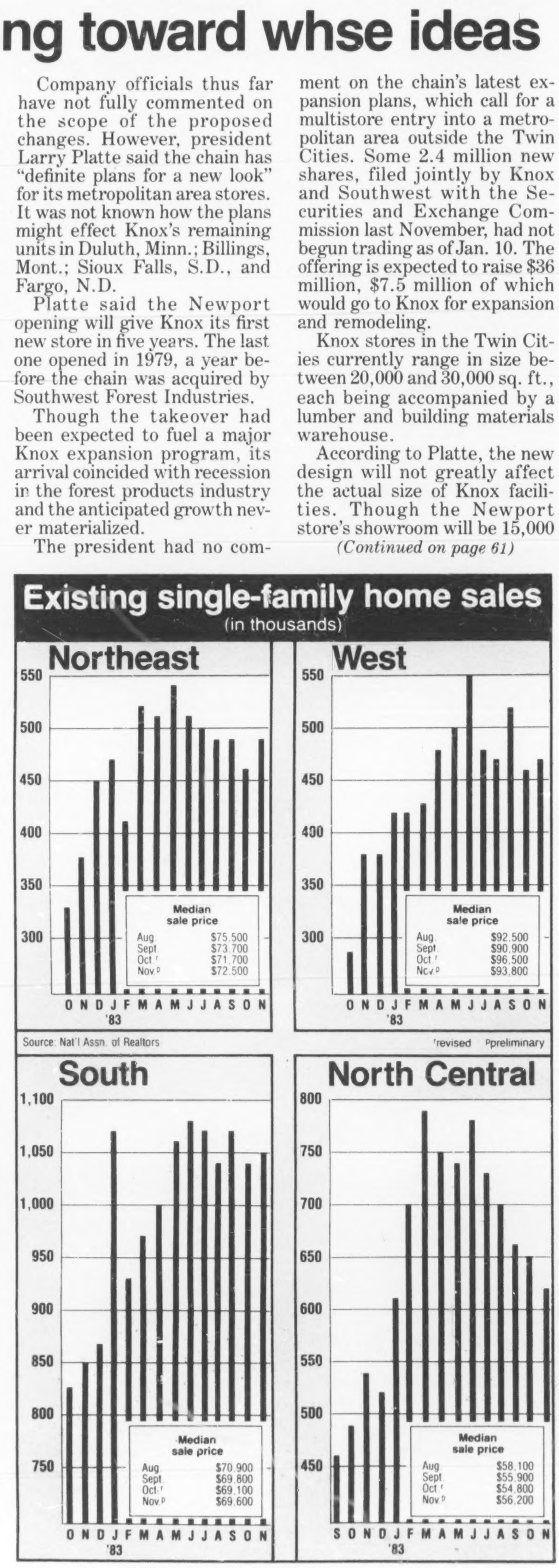
The NAR's affordability index last reached 100 in December 1978, which means that since then median family income in the United States has not been enough to afford a median-priced existing home.

In November median family income was $24,594, or 84.9% of the amount needed to purchase a $70,300, median priced, existing home, according to the realtors.

The housing affordability index is expected to average 87 in this year, a rise of four points over the 1983 figures. However, NAR predicts that affordability will worsen in 1985 as interest rates rise and the growth of the economy slows significantly.

In the meantime, home resale activity has been boosted by home buyers turning to adjustable-rate mortgages rather than fixed-rate mortgages, which carry higher interest rates. In November more than 55% of the mortgages closed by all major lenders for resale homes were ARMs, which was double the percentage of four months ago.

Fixed-rate loans stood at 13.1% interest in November compared with 12.16% for adjustable rate mortgages.



Existing homes sales in November increased by 0.8% over the previous month to a seasonally adjusted rate of 2.63 million units. Three regions experienced an increase in resale activity but the North Central region declined for the fifth consecutive month. The median sales price for a single family home rose by $500 over October with the greatest increase occurring in the North Central area which experienced a $1,400 rise.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Forest City	10/31-3rd qtr.	$ 83,879	$94,139	–11	$3,595	$3,770	–5
Lowe's	12/23-4 wks.	116,300	79,200	47	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 1/5	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		44⅝	47⅜	34½	26
Edison Bros. Stores (NYSE) [Handyman, Homer's]		42⅝	46¾	25¾	12
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		10¼	19½	8½	—
Forest City (AMEX)	A	18½	20⅛	9	53
	B	18¼	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		46⅜	50⅜	38¼	14
Lowe's (NYSE)		23¼	32¾	17¼	18
Michigan General (AMEX) [Diamond Lumber]		9¼	14	2⅜	—
Pay 'N Pak (NYSE)		19¾	24	15¼	17
Payless Cashways (NYSE) [Furrow]		24⅝	34½	19	20
Scotty's (NYSE)		15⅝	21⅛	14	15
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		15⅝	16½	11¼	—
Standard Brands Paint (NYSE)		20⅝	28¾	17⅞	12

Nasdaq—over-the-counter stocks

		As of 1/5	52-week High	52-week Low	P/E Ratio
Color Tile		17⅛	27⅝	13⅝	—
Hechinger	A	19¼	24¼	15	—
	B	19¾	28¼	14½	—
The Home Depot		26	31¾	11⅞	—
Pay 'n Save		26⅜	29¼	15⅜	—

Over-the-counter stocks

	As of 1/5 Bid	As of 1/5 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	22½	25¼	25	12¼
Hines Lumber	35¾	38	41½	15½
Home Centers of America	8	8¼	15½	5
Home Centers of America [units]	24	26	51½	13¼
National Lumber	10¼	10½	13¼	9½
Scotts Seaboard [Scott's]	2¾	3¼	5	⅞
Wolohan Lumber	6¼	6⅜	10⅛	5⅛

Acquisition of Schuck's bolsters Pay 'n Save divisions' auto depts.

SEATTLE—The recent acquisition by Pay 'n Save of Schuck's Auto Supply, a 58-store automotives retailer in Washington, Oregon and Idaho, should enable Pay 'n Save divisions, including Ernst Home Centers, to utilize Schuck's purchasing power and merchandising skills to improve their auto departments, chairman M. Lamont Bean said in a letter to shareholders.

The acquisition was completed last month for $70 million of Pay 'n Save common stock in a pooling of interests transaction. The purchase price included the land and buildings of 30 of the 58 outlets, Bean said. The other 28 units are leased.

Bean said he expects $1.3 million in annual savings in non-continuing Schuck's expenses as well as other savings resulting from the combining of the two companies.

Schuck's chairman Samuel N. Stroum said the merger would enable his chain "to grow at a much faster rate than we could alone." President Stuart M. Sloan and the Schuck's management team will continue to head the automotives chain.

Schuck's had pretax earnings of $4.6 million, up from $3.7 million in the previous year, on sales of $45.7 million, up from $37.5 million, in the first 40 weeks of the current fiscal year ending this month.

Hechinger net up 21%; sales rise 24% in 3rd qtr.

LANDOVER, Md.—Comparable store sales increased 12.4% to help Hechinger report a 21.3% gain on net earnings and a 24.1% hike in sales in the company's third quarter ended Oct. 29, officials said.

The 39-store chain's quarterly earnings rose from $3 million a year ago to $3.6 million in the most recent period while sales increased from $62.9 million in last year's third quarter to $78 million this year, they noted. At the end of the third quarter last year, Hechinger was operating 34 stores.

Ken Gassman, security analyst with Wheat First Securities, Richmond, Va., noted in a report that Hechinger sales outpaced net income gains primarily because of a 1.1% decrease in gross margins from a year ago to 30.9%.

Higher occupancy costs at the chain's new North Carolina units along with efforts to keep prices competitive were factors in reducing gross margins, according to the Wheat First Securities report.

December sales soar 47% as Lowe's hits $1.3 bil. in '83 volume

NORTH WILKESBORO, N.C.—Sales at Lowe's in the four weeks ended Dec. 23, 1983, were up 47% to $116.3 million compared to the same period a year ago, officials at the 238-store chain reported.

Retail volume rose 42% in the month to $61.8 million, 53% of the period's total. Retail sales accounted for 55% of the total December sales in 1982.

Contractor sales increased 53% in December to $54.5 million, officials said. At the 234 Lowe's stores opened for more than a year as of Dec. 23, sales were up 45% to $115 million.

The December figures pushed volume at the company for the first 11 months of fiscal 1983 to $1.3 billion, 40% higher than in the same period of fiscal 1982.

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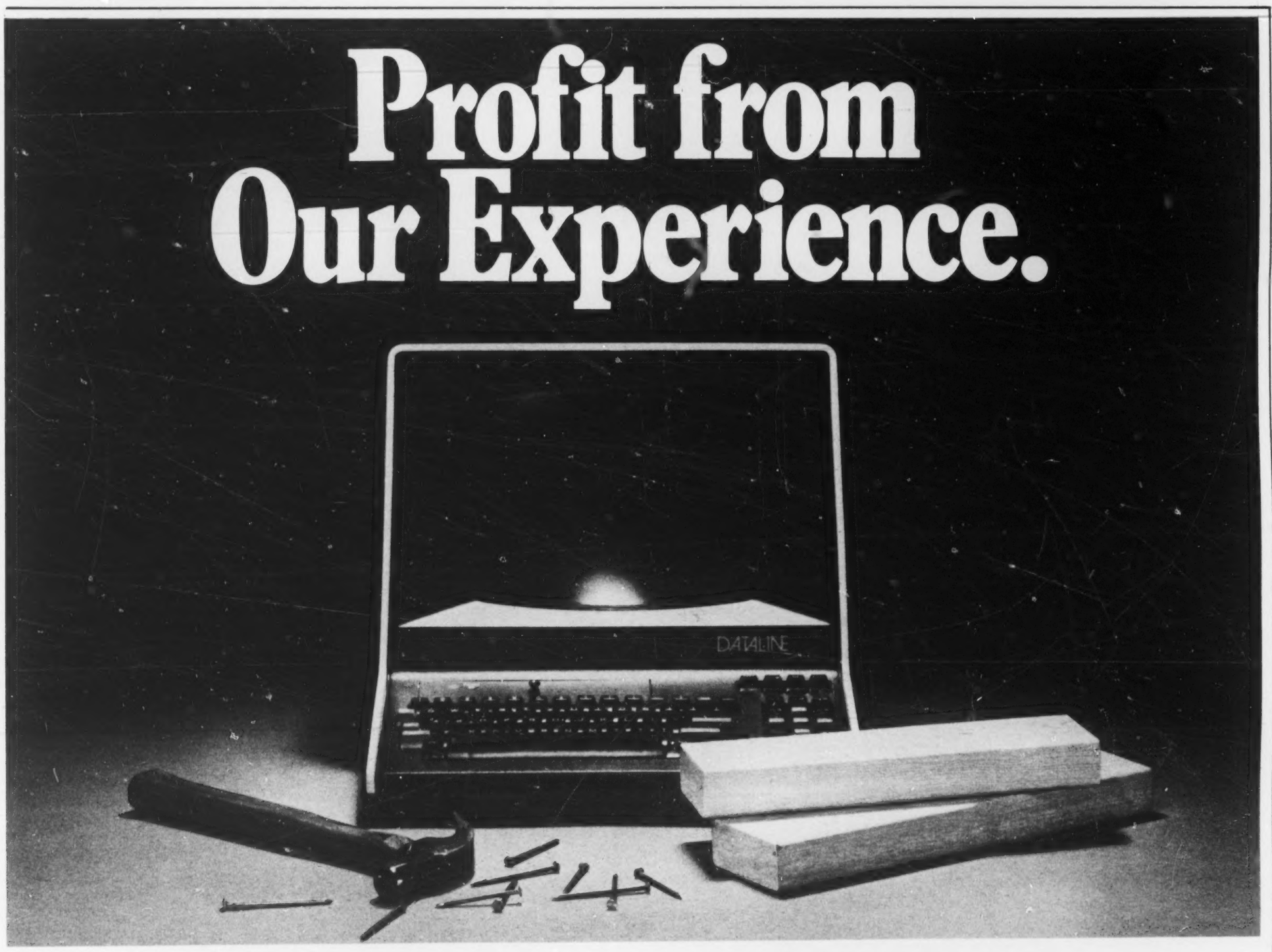

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LUMBER REPORT

Dealers benefit from trade effort to promote wood use

(Continued from page 3)

taled about $10 million, have been cut in half, according to Howe. New consumer traffic, therefore, is critical.

"The reason we did it [held the fair] was because we wanted to make an impact on our community that we are the people to see for DIY projects," said Howe.

"We want to double attendance each time until we can get 50,000 people."

Attendance at last fall's show was roughly 15,000. Howe sees the show as potentially a way for an independent to gain some ground against competition, which, for Carver, includes several conventional yards, Carter Lumber as well as Payless Cashways, Wickes and Handy Andy.

"Handy Andy does such a fine job in its advertising it takes something short of an earthquake to make an impression," Howe said.

The Kentucky lumbermen were also planning a DIY consumer show like Carver's for this spring. Those plans have been put on hold, however, because it proved to be more difficult for a trade association than a dealer to sponsor such an event, according to Thompson of the Kentucky association.

The WPPC will meet in March to develop a long-range marketing plan for promoting the use of wood. In the meantime, several other efforts are under way including a joint venture by the American Plywood Assn. and *Better Homes and Gardens* magazine. A house near Seattle was remodeled using wood extensively and a photo report of the venture is expected to appear in the magazine this fall, according to the APA's Anderson.

"The whole idea is to take an affordable house in an affordable area and make it more liveable so that it's not overpriced for the area." Anderson said.

A similar project is expected to be led by the Southern Forest Products Assn. The National Forest Product Assn. is concentrating on expanded use of wood in commercial construction. And the Western Wood Products Assn. is leading an effort to establish seminars with remodeling contractors. This undertaking also involves the National Lumber and Building Material Dealers Assn.

FUTURES

Two weeks ended Jan. 5, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '84	167.90	162.30	167.10	164.40	1,276	234.00	162.30
March	184.10	176.40	181.80	182.10	3,319	240.50	176.40
May	194.30	187.60	192.80	193.70	1,507	245.50	187.60
July	200.50	195.00	199.70	202.10	728	252.50	195.00
Sept.	202.70	196.20	202.00	201.60	473	236.00	195.50
Nov.	205.00	198.00	204.50	202.70	205	228.80	196.00
Jan. '85	211.10	204.00	211.00	212.00	49	221.30	204.00

Total Contract Vol. (Through 1/5): 14,871 — Previous Two Weeks: 26,089
Total Open Interest (As of 1/5): 7,557 — Previous Week: 7,465
Cash Price: $162.68 — Previous Week: $164.64 — Year Ago: $180.32

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '84	195.80	189.00	195.80	193.60	52	223.00	179.70
March	199.40	192.00	199.40	197.80	401	225.00	183.00
May	202.00	195.50	202.00	201.00	89	208.50	187.50
July	204.00	198.50	204.00	205.10	41	210.00	190.50
Sept.	206.00	203.10	206.00	205.10	2	212.50	190.50
Nov.	Not	Trading					

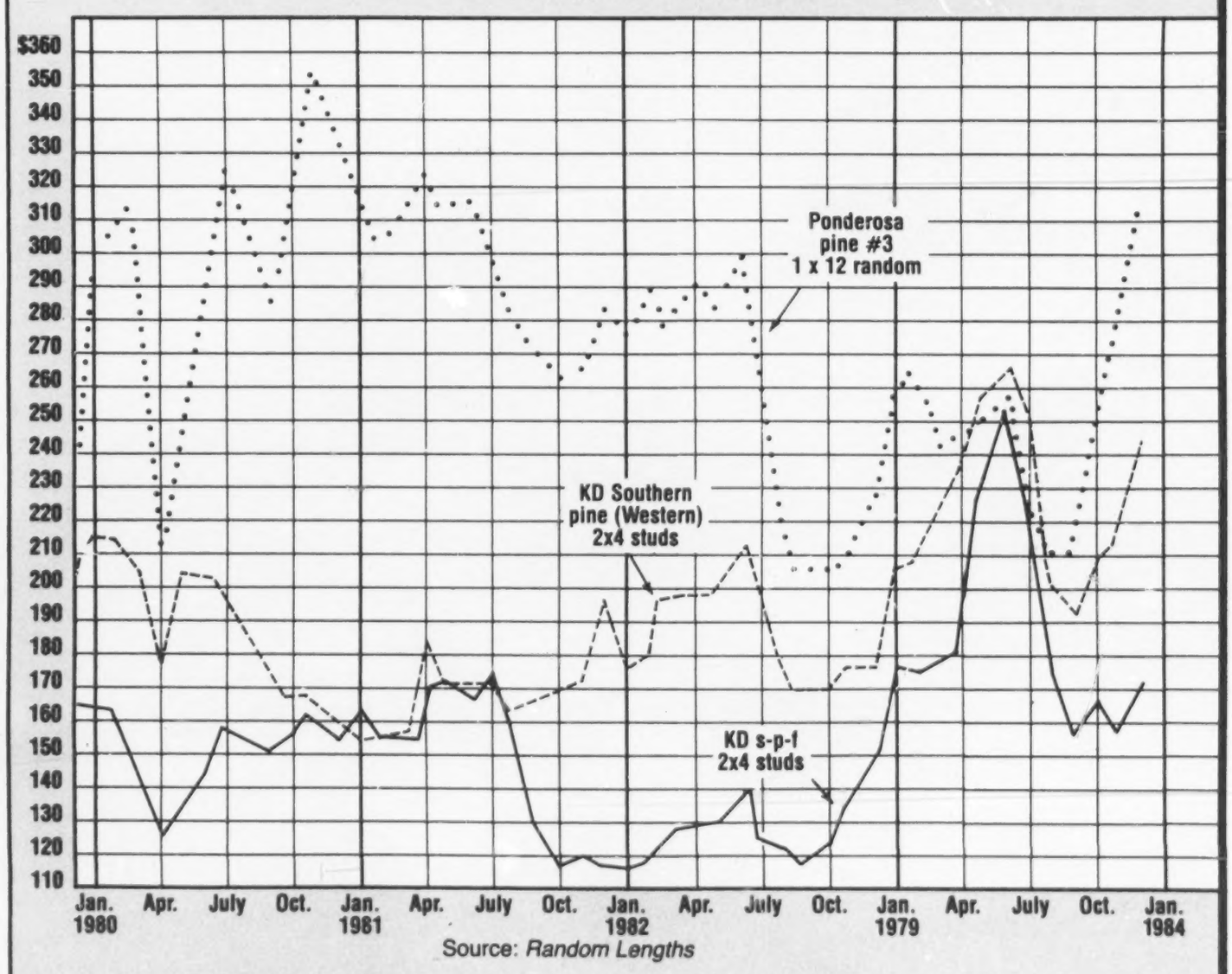
Total Contract Vol. (Through 1/5): 519 — Previous Two Weeks: 815
Total Open Interest (As of 1/5): 585 — Previous Week: 597
Cash Price: $196.98 — Previous Week: $198.94 — Year Ago: $196.98

COMMODITY RESEARCH BUREAU INDEX:	This Week 273.0	Previous Week 277.6	Year Ago 236.8

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Jan. 5.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Ponderosa pine No. 3 1x12 prices rose sharply in December to $313 per thousand board feet from $279 in November, which was up from $248 in October.

Ponderosa prices have risen relentlessly since last summer, because supply has been inadequate to meet demand, and are now about $100 over September's prices.

Western s-p-f stud and Southern pine (westside) stud prices strengthened in December based on increased demand.

Southern pine studs sold for $246 per thousand board feet in December, which brings prices just about $20 off the highs of last spring. Western s-p-f studs moved up more gradually to $172 per thousand board feet in December.

ADVERTISING & MARKETING

New franchise seeks remodeler/supplier bond

PITTSBURGH—Barry Lhormer, the man who founded Busy Beaver Building Centers in 1962 and who departed the company in 1980, is launching a new building supplies enterprise.

With his new firm, a franchising outfit called Great Improvements, he hopes to forge mutually beneficial business relationships among the nation's remodelers and home centers.

Over the past several months, Great Improvements has begun selling franchises to independent home remodelers in southeastern Florida out of an office in Deerfield Beach. Franchisees benefit from the company's expertise in management, as well as by its bonding program, job financing capability, building supplies purchasing discounts and co-op advertising program, Lhormer said.

Home centers will benefit in two ways according to Lhormer. First, home centers will get more business by becoming sources of supply for the Great Improvements remodelers. Lhormer plans to arrange deals with home centers in his active markets, so his independent franchisees can purchase supplies individually from such stores at group rates.

Second, home centers that wish to boost their remodeling business can become franchisees themselves.

Barry Lhomer, who founded Busy Beaver, is launching a new franchise business aimed at helping remodelers and home center operators.

By 1986, Great Improvements plans to have 225 franchises in Florida, along with 1,000 others in from two to four markets on the East Coast.

"Late this summer we should be going into either Washington, D.C., or Philadelphia," said Lhormer. "Both of these markets are closer to our Pittsburgh base, and both are strong economically."

Not all remodelers and home centers, said Lhormer, represent good prospects for his new company. "Our typical remodeler prospect does from $200,000 to $500,000 annually in jobs," said Lhormer. "If a remodeler is doing $1 million annually, he usually feels he already knows how to merchandise his business."

Lhormer described his typical home center prospect as "the major independent in a town of from 40,000 to 50,000, in a trading market of up to 500,000 people and doing between one and three million dollars annually, about half of which is consumer and half small builder."

By mid-December the sales staff in the Deerfield Beach office had made 250 presentations.

Among dealers Lhormer has approached is Scotty's but "they told me to come back when I had 50 or 60 dealers," he said.

In each market, the first 10 franchisees pay $5,900, the second 10 pay $6,900 and the remainder pay $7,900. Additionally, franchisees will pay $670 a month for the first six months and $1,000 monthly thereafter.

About a third of the monthly fees go into a co-op advertising fund, said Lhormer. During the first six months, Great Improvements will supplement the advertising money with $50,000 worth of its own money "to seed a new market," according to Lhormer.

All Great Improvements display advertising will carry an 800 number, and names of franchisees will be given out by sequence and specialty, said Lhormer. Although franchisees in a given market will compete with each other, their number will be limited to one for every 8,000 owner-occupied homes.

Lhormer compares this figure to that used by Century 21, a real estate sales franchising company.

Lhormer's venture is similar to that launched several years ago by Mr. Build, a company that is still active on the West Coast (*NHCN*, Nov. 9, 1981).

Lhormer first entered the building materials field in 1962 when he converted Clairton Commercial, a family-owned lumberyard in Clariton, Pa., into the first Busy Beaver store. A year later he launched Busy Beaver Remodelers as part of the Busy Beaver company.

In 1972, his partner, who had run a wholesale yard to support the Busy Beaver store when it opened 10 years earlier, wanted to leave the business. "We couldn't buy him out and have any money left to continue," said Lhormer.

While searching for additional capital, Lhormer discovered a potential buyer in Cyclops Steel, which purchased the Busy Beaver from Lhormer.

National survey tracks rent costs

Metropolitan area rents for an 850-sq.-ft. apartment

Rank	Metropolitan Area	Median Monthly Rent
1	Boston	$475
2	New York	446
3	San Francisco	435
4	Orange County, Calif.	419
5	Los Angeles	403
6	Pittsburgh	403
7	Denver	397
8	Washington, D.C.	397
9	Houston	393
10	Dallas	392
11	Milwaukee	391
12	Chicago	385
13	Hartford, Conn.	373
14	Minneapolis	366
15	Miami	365
16	San Diego	359
17	Wichita, Kan.	354
18	Seattle	354
19	Austin, Tex.	351
20	Detroit	347
21	Phoenix	346
22	Philadelphia	343
23	Baltimore	334
24	Cincinnati	329
25	Sacramento, Calif.	323
26	St. Louis	317
27	Oklahoma City	314
28	Newark, N.J.	312
29	Cleveland	312
30	Kansas City, Mo.	305
31	Tampa, Fla.	292
32	Indianapolis	281

Source: Income/Expense Analysis—Apartments, Institute of Real Estate Management, Chicago; *NHCN* chart

CHICAGO—Boston and New York have the highest metropolitan rents in the nation according to a report just released by the Institute of Real Estate Management.

The survey, based on median monthly metropolitan area rents for a typical one bedroom apartment of 850 sq. ft., ranks Boston first with a median rent of $475 a month. New York City follows closely with a median rent of $446 a month. The study focuses on 40 metro markets in the United States and ranks Greenville, S.C., at No. 40 with a $247 a month rent.

The 1983 edition of this annual survey is called Income/Expense Analysis Apartments and is available at a cost of $61.95 from the Institute of Real Estate Management, 430 N. Michigan Ave., Chicago, Ill. 60611.

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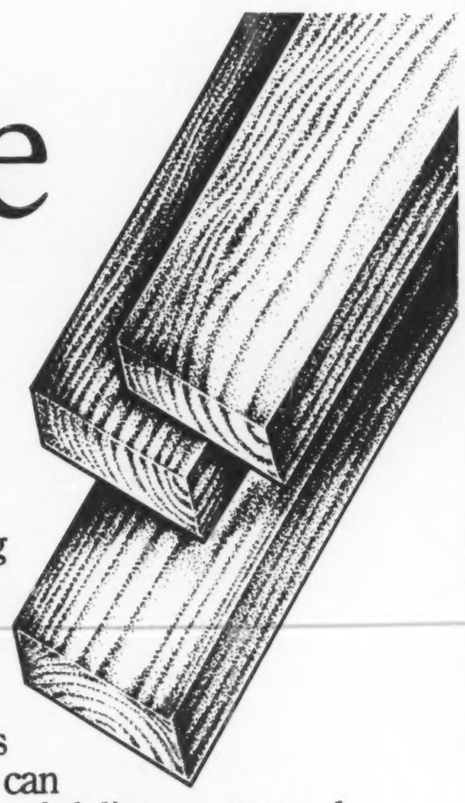

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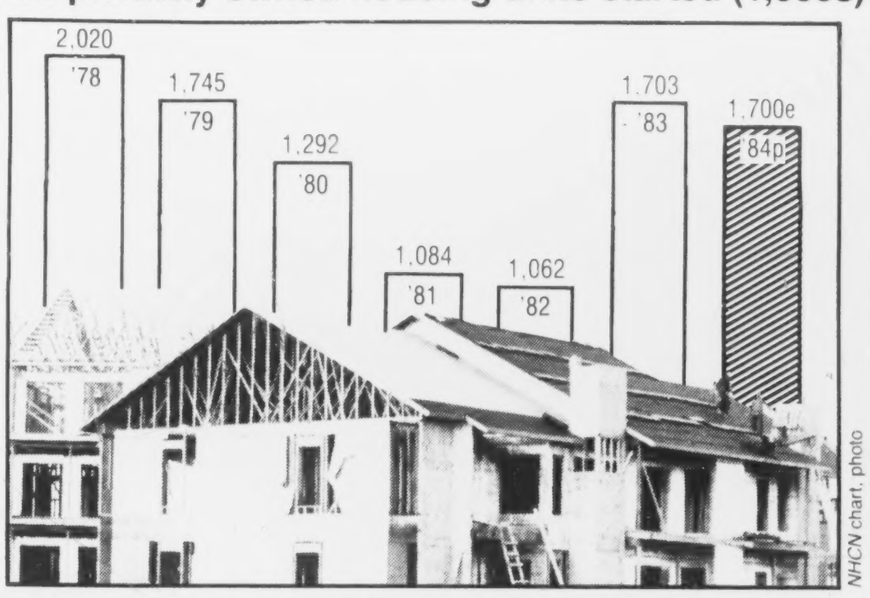
Winter Hardware Show Issue

Floor coverings photo feature—pp. 25-32

National Home Center News®

Vol. 10, No. 4 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. February 13, 1984

New privately owned housing units started (1,000s)



NHCN chart, photo

Home construction tops $142B in '83

Spending for new home construction topped $142 billion in 1983 as home building surged 60% from a record low in 1982, to 1.7 million starts. Forecasters at last month's Home Builder Show predict 1984 will match 1983's production, but warn of rising interest rates later this year. *Story, page 2.*

Source: U.S. Dept. of Commerce; estimate for 1984: National Assn. of Home Builders

Grossman's tests new mix at 6 California warehouses

Parent Evans relocating HQ to Miami

BRAINTREE, Mass.—Grossman's will take a major step toward nonhome center retailing with six warehouse stores it plans to open in California this year, *NHCN* has learned.

The 80,000 to 90,000-sq.-ft. units will devote one quarter of their floor space to merchandise that could include most anything from food and automobile tires to vacuum cleaners, according to a source who characterized the venture as a "Price Club with lumber."

Simultaneously, in an unrelated development, it was learned that Grossman's parent company, Evans Products, is planning to move its headquarters from Portland, where it has been since the 1960's to Miami.

"There are plans in the making to move Evans headquarters to Miami," said Evans corporate communications vp Gerald Parsons. "The exact timing and number of people involved have not been determined."

Parson's comments were carried by the *Oregonian*, a Portland daily newspaper, which added conformation from an Evan's director R. W. DeWeese who said, "All this has been pending for some time."

In a phone interview with *NHCN*, Parsons stressed, "Although there were discussions, there's nothing definite."

However, the *Oregonian* quoted an unnamed top Evans executive as saying that mostly high-level employees will be asked to transfer to Miami, with roughly one-third of the staff remaining in Portland for the time being and the rest facing layoffs.

The move to Miami was apparently prompted to consolidate the Evans operation with the rest of the organization controlled by Victor Posner, the Florida financier who gained control over Evans during the past few years, being named chairman last spring and chief executive officer in December, replacing Monford Orloff who retains the titles of president and coo.

Orloff was in Miami and could not be reached for comment. Calls to Posner's office were not returned.

Evans has not yet filed a preliminary registration statement for the spin-off of its retail group, a strategy for meeting its large corporate debt that was announced last June. Parsons said there are no new develop-

(Continued on page 78)

Wall Street and other brokers altering lumber pricing patterns

By Kenneth Schept
NHCN executive editor

NATIONAL REPORT—Last month Payless Cashways added an unusual lumber supplier when it purchased several carloads of narrow dimension spruce not from a mill or wholesaler, but from Wall Street.

While mills were quoting $158 to $160 per thousand board feet for the product, Bear, Stearns & Co., the brokerage, had cars available at $156, according to Phil Rogers, Payless senior merchandise manager for commodities.

Bear Stearns is among several organizations from fields unrelated to lumber that have been drawn to the business in the past few years because of profit potential in the sustained premium futures have held to cash prices.

The brokerage actually takes physical delivery of lumber, often simultaneously selling an equivalent amount in futures. Each hedge locks in a profit that, as in the Payless example, allows Bear Stearns to sometimes offer lumber at below mill prices. In addition, the company sells without a large sales force, keeping overhead to a minimum.

"I think Bear Stearns is a factor in the industry," Rogers said. "It can take a lot of the risk out of it for us and it's one of the few suppliers with rolling cars."

While not everyone agrees on the extent to which Bear Stearns and similar operations are factors in the industry, everyone is talking about these nonlumber entities that appeared only a few years ago and today, some speculate, control perhaps more cars than any of the major traditional suppliers.

It is not yet clear, however, whether Bear Stearns and other companies are merely short-term speculators or participants in a new, permanent aspect of the lumber distribution network. In the meantime their abrupt entrance into the market has provoked criticism ranging from derogation of the quality of wood they supply to the assertion that, with so much wood under their control,

(Continued on page 12)

NEWSBREAKS

CHASE-PITKIN TO EXPAND. Ten-store Chase-Pitkin is about to open its first units outside of Rochester, N.Y., with a Syracuse store this spring. That outlet, like two more planned for Syracuse, will have a warehouse format in the 45,000-sq.-ft. retail space of a typical Chase-Pitkin, although stock keeping units will be halved to 20,000.

Ole's, Neiman-Reed merger fails; negotiations cease

By Brad Altman
West Coast editor

LOS ANGELES—Ole's Home Centers and Neiman-Reed's Lumber City have mutually agreed to terminate negotiations on Ole's plan to acquire Neiman-Reed's 12 home centers and a wholesale lumber operation.

Neither Robert Neiman, chairman of Neiman-Reed, nor Harvey Knell, Ole's president, would say exactly what led to the demise of negotiations. However, Knell reported that he sent a letter to Ole's employees "that said we chose not to exercise our option" to purchase Neiman-Reed.

Neiman, co-founder of the chain with Robert Reed who died in late 1981, said that he is "not contemplating" selling Neiman-Reed to another party "at the present time," but would not rule out a future sale.

Neiman-Reed is 51% owned by UBM Group Ltd., Bristol, England, which has an option to acquire the balance of Neiman-Reed in 1986, became majority owner in July 1981 in a $8.4 million deal.

Industry observers report that Neiman-Reed has been "on the selling block" before with other southern California chains. The chain operates

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MERCHANDISING

Bagging its own fasteners keeps Orchard Supply 94% in stock.

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ADVERTISING & MARKETING

Builders Emporium targets the upscale shopper with slick magazine ads.

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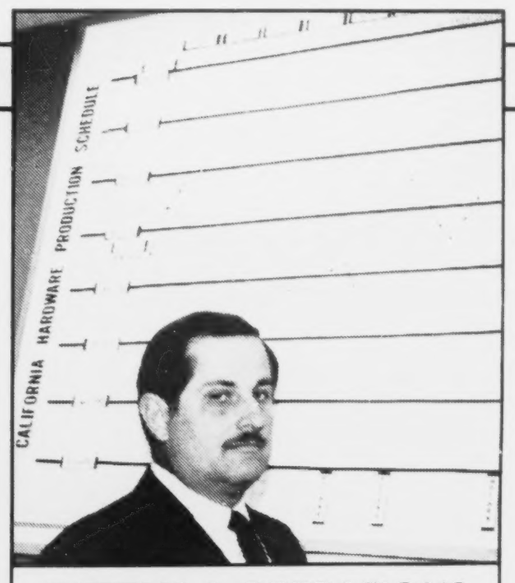

SYSTEMS & OPERATIONS

California Hardware's Terence Smith: 'Climbing out of the old-line wholesaler mentality.' ***Page 71***

NHCNews Briefs

Industry Update

BE slates three new stores

IRVINE, Calif.—Builders Emporium plans to open three new stores in southern California in the next few months, its first new-store openings in nearly two years.

Units in Los Angeles and Tustin are slated to open in March and a unit in Inglewood will open in April, company officials said.

In January the chain closed four units—three in Sacramento and one in Stockton. When the new stores open their doors, BE's store count will be 59.

The Tustin unit, scheduled to open March 15, is a takeover of an existing Wickes Lumber at Edinger Avenue and the Newport Freeway. It is the first time BE has taken over a store from its sister chain in the Wickes Cos. organization.

BE is also taking over a Sunset Building Supply Home Center in a Montgomery Ward-anchored shopping center on La Cienega Boulevard in Los Angeles. The 25,000-sq.-ft. unit will be refixtured and its current ceiling will be replaced. A March 15 opening is anticipated.

The third unit, slated for an April 15 grand opening, is in a strip center at Crenshaw and Imperial Boulevards in the southern Los Angeles County city of Inglewood. BE took over an existing Holiday Hardware store, a vacant low and unoccupied building that will be combined to make a single 43,000-sq.-ft. building.

HomeClub to open third whse

NORWALK, Calif.—HomeClub, the two-unit warehouse home center chain, will open its third unit in Hacienda Heights, a Los Angeles suburb, by early May. The 100,000-sq.-ft. store will be retrofitted from an existing warehouse, Robert McNulty, HomeClub's president and ceo, said.

HomeClub is also negotiating to lease sites for the chain's fourth and fifth units, slated to open by midsummer, McNulty added. The chain debuted last October with its initial two 100,000-sq.-ft. warehouses here and in Fountain Valley, Calif.

Big Buck closes in Waukesha

WAUKESHA, Wis.—Big Buck Building Centers has closed its store in this community just west of Milwaukee because of the expense of running a single store in the Milwaukee market and because of DIY competition, according to chain president Charles Veenstra.

The closing, which took place on Jan. 28 after a week-long 15%-off sale, left Big Buck with stores in Kenosha and Racine, Wis., but Veenstra said officials are considering relocating the shuttered 20-year-old facility among other plans for the chain.

Inner Harbor to expand

BALTIMORE—Inner Harbor Lumber and Building Material plans to expand its second store, located in the northern part of this city.

Opened two years ago in a cavernous former street car barn (*NHCN* March 15, 1982), the company recently acquired 4,000 additional square feet of the building, which will bring total retail space to about 32,000 sq. ft.

The additional room is expected to be used for expanded kitchen, bath and millwork presentations, according to Bob Heffner, gmm.

He said that the company also plans to use more bulk displays and perhaps higher fixtures in a gradual move toward a warehouse format.

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Vol. 10, No. 4 February 13, 1984

Andersons to open second unit

By Phillip M. Perry
NHCN associate editor

MAUMEE, Ohio—The Andersons, a $40 million independent operating primarily out of a single store for 10 years, has initiated an expansion to increase its dominance in Ohio area retailing.

The company was scheduled to break ground late last month in Toledo, Ohio, for its second store, a 130,000-sq.-ft. building with 54,000 sq. ft. of outside space that will be devoted to lawn and garden products. The store is scheduled to open this September.

Thereafter, if the second store becomes profitable, the company plans to open stores of similar size, each projected to do the same volume. Within five years, a chain of seven stores in Ohio and adjoining states "is attainable," according to Mike Maricle, who has been named manager of the new store.

Increasing profitability of the first store in recent years precipitated the decision to expand, according to Robert Bristow, retail division manager and a general partner in the company's parent firm, also called The Andersons. Planning for the new store had begun close to three years ago, but was delayed due to zoning problems.

Bristow said the additional stores were still conjectural and depended on the performance of the second store.

"We have been performing well in our current retail operation, and now we want to see if we can put this same type store in another place," added Grant Hollenbeck, merchandise manager for The Andersons.

Additionally, financing for the $9 million construction project became more readily available recently, through industrial revenue bonds.

Maricle noted yet another reason for the company expanding this year was that it feels it has positioned its staff "to lead the company at least to its second store."

Maricle has been with The Andersons for two years as consumer and industrial group controller, after leaving a position as controller he held for 10 years for a group of Sears stores in Coral Gables, Fla. Hollenbeck came to the company four years ago after a stint as group merchandise manager for appliance categories in the Memphis region, at Sears.

Maricle noted both he and Hollenbeck have accumulated not only a good deal of background about retailing but also about The Andersons, so the new store can be run successfully.

Located on a main traffic artery about a half mile from downtown Toledo, the new store will modify the older unit in some minor ways, noted Maricle.

"There will probably be some artistic changes," he said. "We may add some graphics in the new store." Also, the new store will be somewhat larger than the prototype unit, which has 116,000 sq. ft. of indoor space

(Continued on page 77)

Surge of first-time home buyers caps building industry recovery

HOUSTON—For the first time in five years, the size of the average single-family home built in America is getting larger instead of smaller.

Powered by a surge of first-time home buyers, who accounted for 48% of ail purchasers of a new single-family home last year, the increased demand for larger homes capped a year of good news for housing and related industries.

New home starts totaled 1,703,100 units in 1983, according to just released Commerce Department figures—a 60% increase from record low production levels in 1982.

Single-family home starts, meanwhile, rose 61% to 1,066,900 units in 1983, compared to 662,900 units started in 1982.

Spending for residential construction last year (excluding land costs) amounted to $142 billion, a 56% increase from the $90.8 billion spent in 1982, and accounted for 4.2% of 1983's Gross National Product vs. 2.9% the year before.

The strength of the housing industry was clearly reflected here last month as more than 50,000 builders, remodelers, distributors and a handful of retailers gathered to attend seminars and survey 300,000 sq. ft. of housing products at the 40th—and largest—annual National Assn. of Home Builders convention.

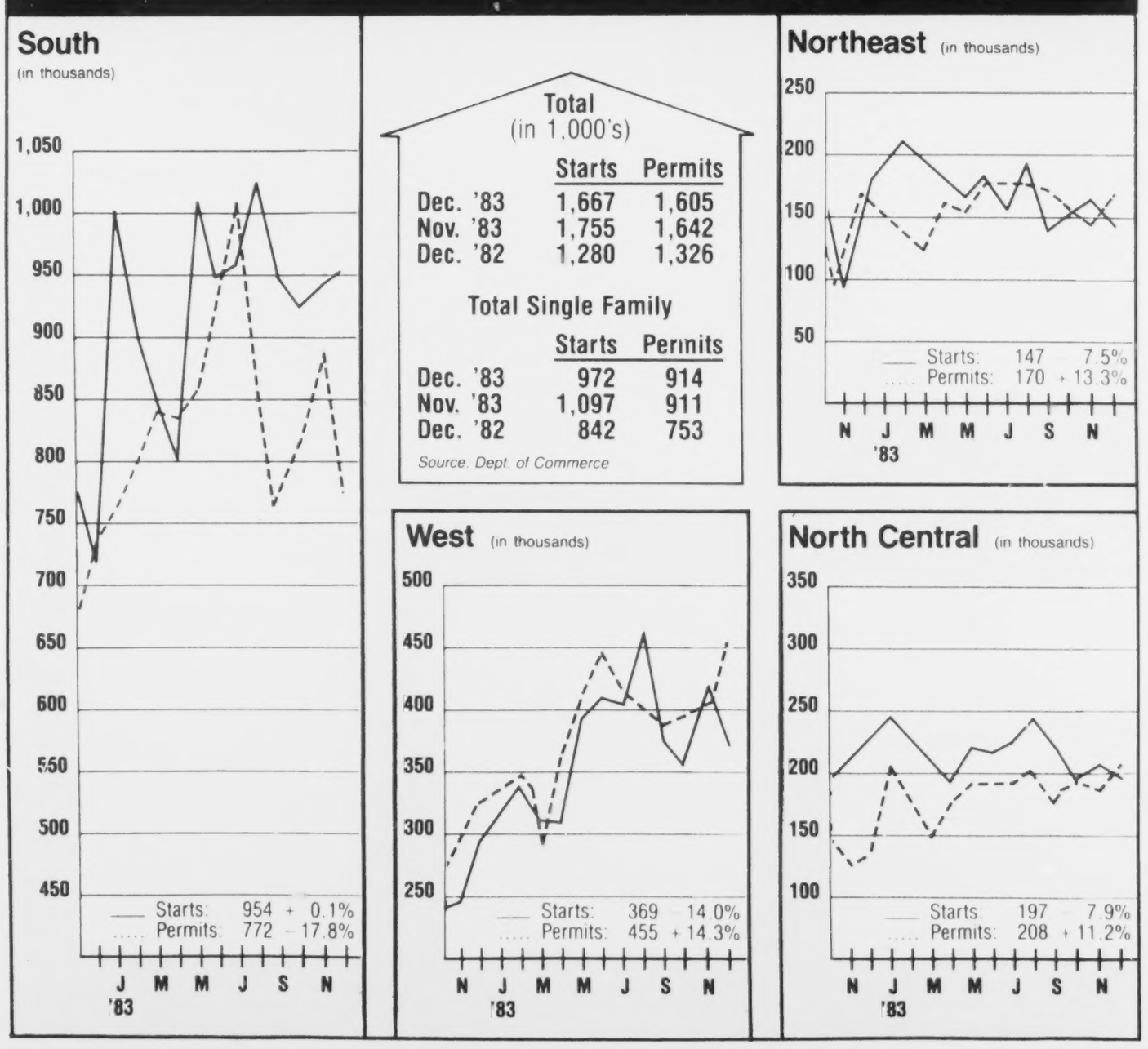
Housing and bank economists here predicted 1984 will match 1983 in housing production, with single-family housing starts predicted to rise about 6% above 1983 levels.

The forecast for 1985, and beyond, however, remained less optimistic beneath the specter of rising interest rates toward the end of 1984 if the Federal Government fails to reduce its massive deficit.

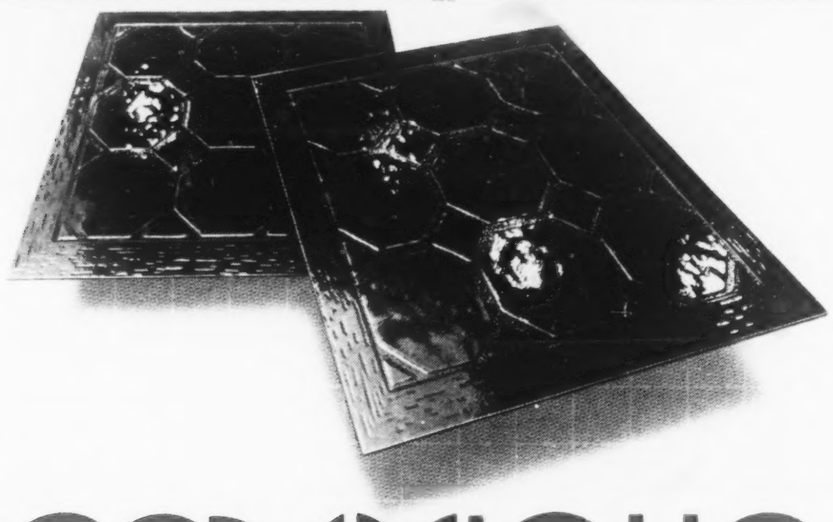
Former President Gerald Ford, speaking during a program on Jan. 21, described the deficits as the "only dark and ominous cloud on the economic horizon," and warned that unless deficits are reduced, housing production will decline sharply in 1985 and 1986. He added that for every $40 billion the deficit is reduced, interest rates would drop between one and 1½ percentage points.

(Continued on page 4)

December home-building activity



December's seasonally adjusted total housing starts reached 1.67 million, down 5% from November but up 30.7% over December 1983. Permits were also down 2.25% from November, but up 21% over December 1982.



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Surge of first-time home buyers caps building industry recovery

(Continued from page 2)

Kent Colton, executive vice president, Federal Home Loan Mortgage Corp., concurred that 1985 and 1986 had the potential to become "bad news" years for housing because of a shortage of capital resulting from the deficit.

Colton noted that the real rate of interest remains at an all time high at 6.9%, after subtracting the 3.2% rate of inflation from the federal funds rate of 9.1%, and that it was well above the 1% and 2% rates typical of the 1960's and 1970's.

"Both housing starts and home sales should reflect relative stability in interest rates, which will probably come down from 13½% to 13% by June or July, then go back up to 13½% by late 1984," he said.

Robert Spiller, first vice president, Mortgage Bankers Assn., meanwhile, said rates on fixed-rate mortgages would decline from current levels, to 12% from 12½% by late spring or early summer because of a slowdown in economic growth.

"Adjustable rates in the 10% range for the first year of the mortgage payment period could have a powerful effect on home sales in 1984," he said.

The availability of adjustable rate mortgages have been instrumental in helping first-time home buyers afford housing, analysts said.

Three years ago, 95% of all mortgages were 30-year, fixed rate loans, Colton said. By 1985, he expected at least half of all mortgages would be adjustable rate loans.

According to figures from the NAHB, first-time home buyers were responsible for record share of the new home market.

They accounted not only for 48% of all single family home purchases in the 12 months between July 1982 and June 1983, but also for 55% of the condominiums sold during that same period.

In comparison, first-time home buyers accounted for between 32% and 37% of all new single-family homes purchased annually since 1975, and accounted for a similar, though faster-growing portion of those buying condominiums.

With the increase in consumers' ability to afford housing, beginning in the fourth quarter of 1982, came a concurrent return in demand for larger houses, NAHB figures indicated.

Sales of single-family homes of 1,000-1,5000 sq. ft., which accounted for 47% of the new single-family units sold in the first quarter last year, declined steadily as a proportion through the third quarter, to 40% of the market.

Sales of single-family units 1,500-2,000 sq. ft., 2,000-2,500 sq. ft., and more than 2,500 sq. ft. in size meanwhile, increased market share by three percentage points each, to 30%, 15% and 9% respectively, during the same period.

Fourth quarter figures are still not available. Overall the median finished area of new single-family homes has risen steadily since the low of 1,445 sq. ft. in the fourth quarter of 1982, to 1,559 sq. ft. registered in the third quarter of 1983.

The shift to larger houses is also reflected in home prices.

The median sales price of new single family houses—which remained flat in 1982—rose 9.4% in 1983 (well above the rate of inflation) to $75,700.

NAHB analysts are predicting prices will move up 7% in 1984 to $81,000.

The overall increase in the average new single-family home last year apparently reverses a trend that, according to Census Bureau figures, shows the median size American home to be shrinking—from 1,655 sq. ft. in 1978, to 1,520 sq. ft. in 1982.

While most analysts are not predicting that homes will increase substantially in size over the next two years, especially in metropolitan areas where high-density, multifamily housing is becoming more commonplace, they do see the reversal as a significant turning point.

States ranked by starts in 1983 and 1984

Rank		State	Housing Starts (in thousands)	
1983	1984		1983	1984
1	1	Texas	334.9	334.6
2	2	Florida	170.5	158.9
3	3	California	151.7	143.0
4	4	Georgia	70.1	72.7
5	5	Arizona	63.2	63.2
6	7	Oklahoma	53.4	52.2
7	6	Colorado	51.4	53.7
8	9	Virginia	51.1	46.3
9	8	North Carolina	49.5	49.5
10	12	New Jersey	38.3	42.0
11	11	New York	37.0	43.5
12	10	Pennsylvania	36.8	44.8
13	13	Louisiana	36.8	35.9
14	16	Maryland	35.8	31.3
15	21	Tennessee	34.8	24.6
16	17	Illinois	30.9	26.7
17	15	Ohio	30.0	31.4
18	14	Minnesota	27.7	35.8
19	22	Washington	27.5	23.6
20	19	South Carolina	25.8	26.3
21	18	Massachusetts	24.2	28.8
22	20	Missouri	24.2	24.0
23	24	Michigan	23.0	21.4
24	25	Indiana	19.0	21.0
25	29	Alabama	18.2	13.5
26	23	Wisconsin	18.1	21.6
27	27	Kansas	16.9	18.6
28	26	Connecticut	16.6	19.0
29	29	Kentucky	15.8	13.5
30	28	Nevada	15.7	15.0
31	32	Alaska	13.4	11.2
32	35	Utah	12.3	10.5
33	37	Arkansas	12.0	9.8
34	36	Mississippi	11.8	10.0
35	31	New Mexico	10.1	12.8
36	32	Oregon	9.4	11.2
37	34	Iowa	8.4	10.6
38	38	New Hampshire	8.4	8.5
39	39	Nebraska	7.4	8.3
40	41	Vermont	6.3	7.3
41	40	Hawaii	6.2	8.2
42	44	North Dakota	5.5	4.8
43	42	Maine	4.8	6.6
44	45	Rhode Island	3.9	4.1
45	46	Idaho	3.9	3.7
46	48	Delaware	3.4	4.3
47	43	Wyoming	3.3	5.4
48	49	South Dakota	2.9	3.6
49	46	West Virginia	2.7	3.7
50	50	Montana	2.7	2.5
51	51	District of Columbia	0.3	0.8

Source: National Assn. of Home Builders Forecasting Service *NHCN* chart

"So why should we buy floor protection products from Shepherd Pat?"

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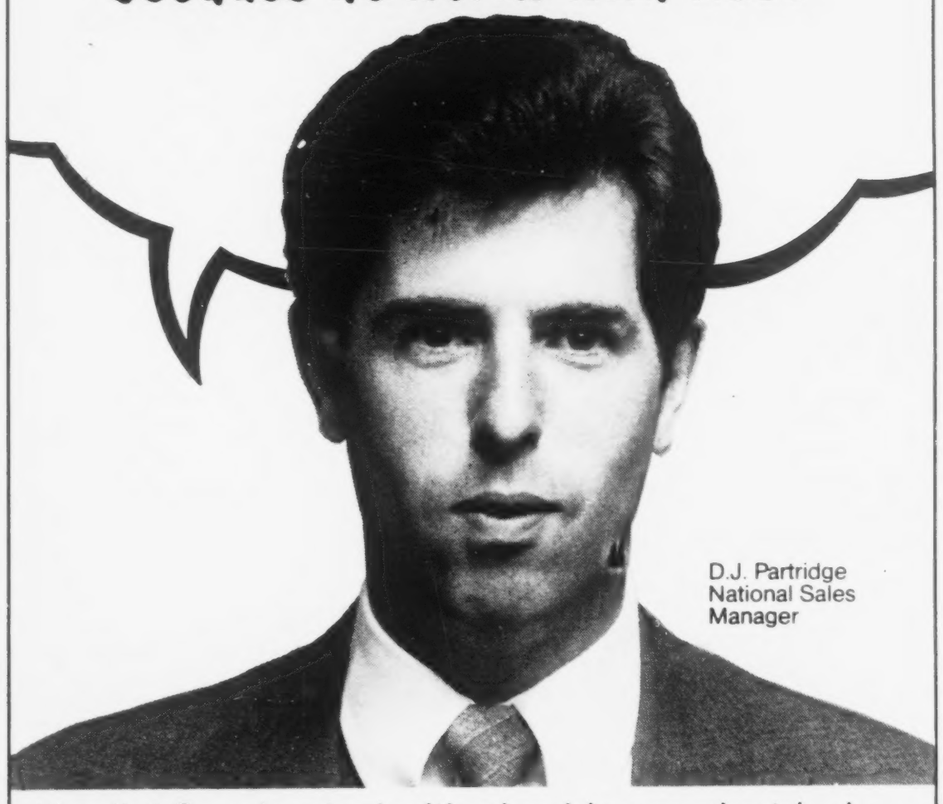

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National Sales Manager

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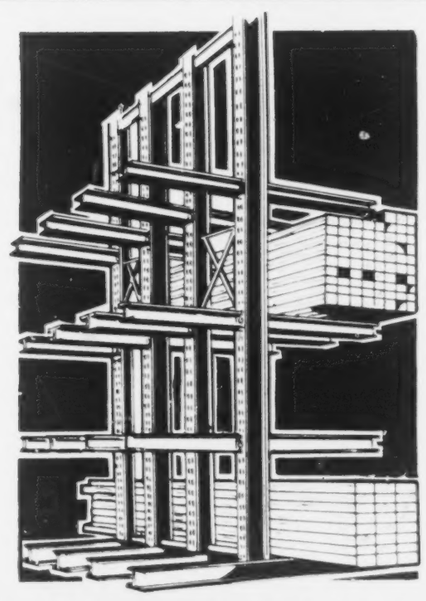

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Home Centers of America	11/27-3rd qtr.	$ 10,645	—	—	–$ 1,950	—	—
Payless Cashways	11/26-4th qtr. 11/26-year	250,943 864,164	$179,703 602,666	40 43	10,179 34,627	$ 8,130 23,079	25 50
Scotty's	12/31-5 wks. 12/31-2nd qtr.	37,140 100,362	30,838 80,363	20 25	— 3,284	— 1,668	— 97

*$ in thousands

Source: Company reports

STOCK PRICES

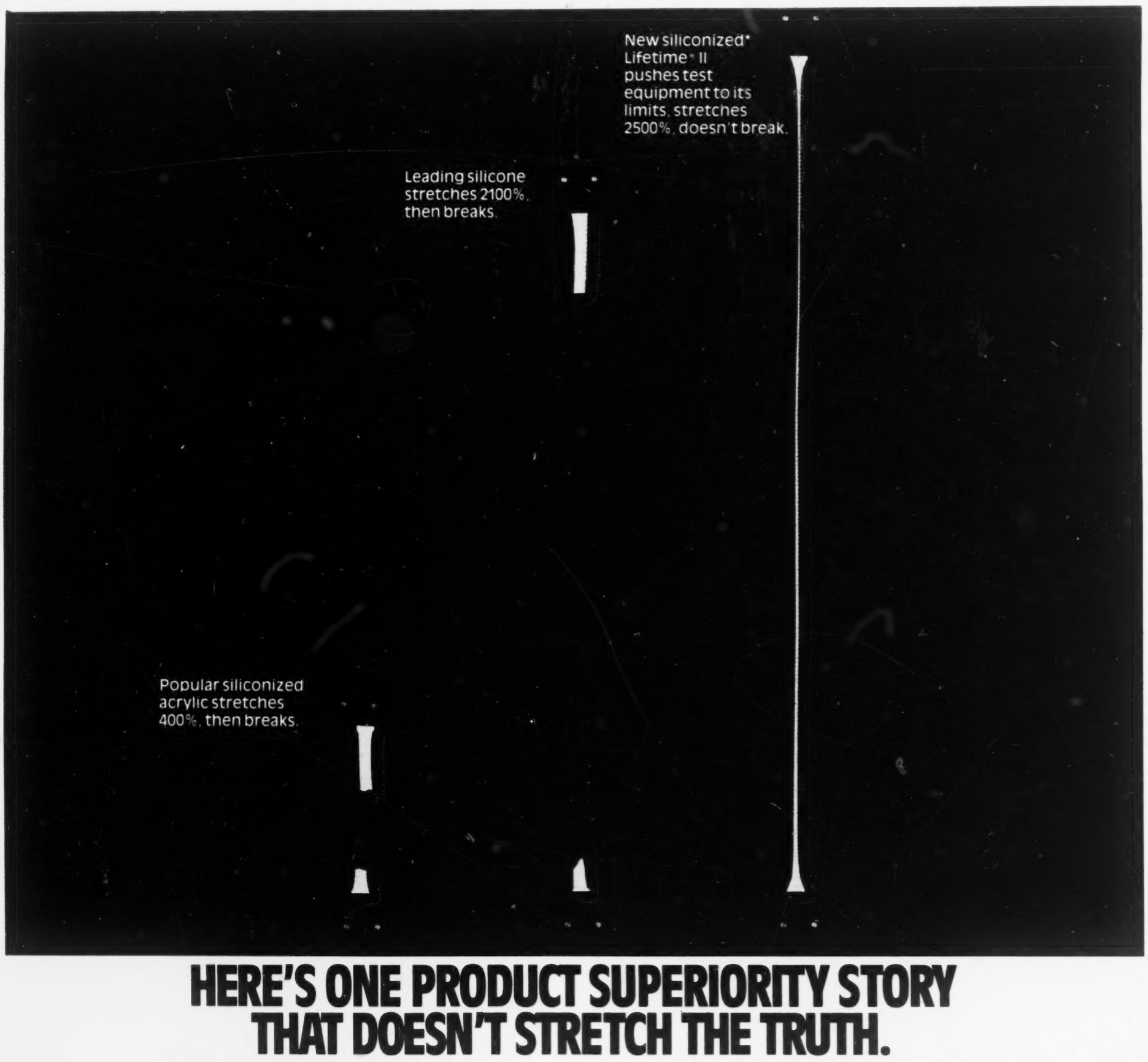
	As of 1/24	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	41	47⅜	34½	21
Edison Bros. Stores (NYSE) [Handyman, Homer's]	42	46¾	25¾	12
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	9⅝	19½	9⅛	—
Forest City (AMEX)	17½	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45	50⅜	39½	14
Lowe's (NYSE)	23⅝	32¾	17¼	18
Michigan General (AMEX) [Diamond Lumber]	8⅛	14	3¼	—
Pay 'N Pak (NYSE)	17⅝	24	15¼	15
Payless Cashways (NYSE) [Furrow]	23	34½	19	18
Scotty's (NYSE)	15⅞	20½	14	14
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	15⅜	16½	11⅝	—
Standard Brands Paint (NYSE)	21½	28¾	17⅞	13

Nasdaq—over-the-counter stocks

		As of 1/24	52-week High	52-week Low	P/E Ratio
Color Tile		16¾	27⅝	13⅝	—
Hechinger	A	18	24¼	15	—
	B	18	26½	14½	—
The Home Depot		22¾	31¾	13	—
Pay 'n Save		23	29¼	16⅜	—

Over-the-counter stocks

	As of 1/24 Bid	As of 1/24 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	23½	26¾	25¼	12¼
Hines Lumber	35¼	37	41½	17
Home Centers of America	7⅞	8	15½	5
Home Centers of America [units]	24	25½	51½	13¼
National Lumber	10	10½	13¼	9½
Scotts Seaboard [Scott's]	4	4¾	⅞	5
Wolohan Lumber	6⅜	6½	10⅛	5⅛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FINANCIAL NEWS

Scotty's net profit up 97% in second quarter

WINTER HAVEN, Fla.—A significant increase in both gross margins and sales contributed to a near-doubling of earnings at Scotty's during the chain's second quarter ended Dec. 31, 1983, senior vice president and chief financial officer Harold W. Taylor said.

Net profits rose 97% at the 105-store company to $3.3 million in the quarter as gross margins rose to 30.7% compared to 29.27% in the second quarter of the previous fiscal year and sales increased 25% to $100.4 million, according to Taylor.

Scotty's quarterly sales gain, in turn, was favorably affected by a 19.8% increase in sales at comparable stores and a 66.2% jump in volume to builders, he said. The increased business to contractors of $31.3 million brought Scotty's percentage of overall sales to that sector of the market to 31.2%, up from 23.8% in the prior year's second quarter.

Officials at the company noted that the new construction market in Florida continued strong and brought sizable gains in contractor volume for each quarter during 1983.

The new construction market also helped December volume rise 20% to $37.1 million in the last five weeks of the quarter, but cold and inclement weather during the month contributed to somewhat slower growth, according to executive vice president Dennis W. Stults.

During the second quarter, the chain opened a new outlet in Temple Terrace, Fla., a Tampa suburb, and a replacement store in Big Pine Key, Fla.

Color Tile's '83 contractor sales increase sharply

FORT WORTH—Color Tile, the 600-unit chain of specialty home improvement stores, has nearly doubled its volume of sales to contractors and commercial developers over the past year.

Company officials attributed the gain to a new marketing program designed specifically to provide Color Tile a larger share in the construction and renovation of apartments, condominiums and hotels. Sales in that area currently make up 20% of the chain's total volume, shown at $131.4 million for the first six months of fiscal 1984.

One year ago, contractor and commercial sales accounted for only 12% of a six-month volume estimated at $115.3 million.

Color Tile said it intends to retain the do-it-yourself consumer as its predominant customer, however. Movement in the direction of contractor sales was described as one segment of a broader effort to heighten profitability.

In a speech last month before the New York Society of Securities Analysts, company chairman John Wilson said Color Tile will now allow contractor and commercial sales to represent more than 25% of its annual volume. "More than that would adversely affect our margins," he said.

The new marketing program got under way late last summer, when the chain distributed 250,000 catalogs to professional contractors nationwide. Wilson said each catalog included a contractor price sheet and an application for credit.

According to Wilson, the chain decided to pursue contractor sales more aggressively after reviewing a market research study that showed marked sales potential in residential rehabilitation and commercial development.

FUTURES

Two weeks ended Jan. 19, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	181.60	170.60	172.30	180.40	4,163	240.50	176.40
May	193.10	184.00	186.20	191.70	1,902	245.50	184.00
July	201.80	193.50	195.10	199.50	903	252.50	193.50
Sept.	206.00	198.70	199.20	203.60	645	236.00	195.50
Nov.	209.60	202.90	204.00	208.60	422	228.80	196.00
Jan. '85	214.40	208.90	211.00	213.40	71	221.30	204.00
March	219.70	214.50	216.90	—	13	220.00	215.50

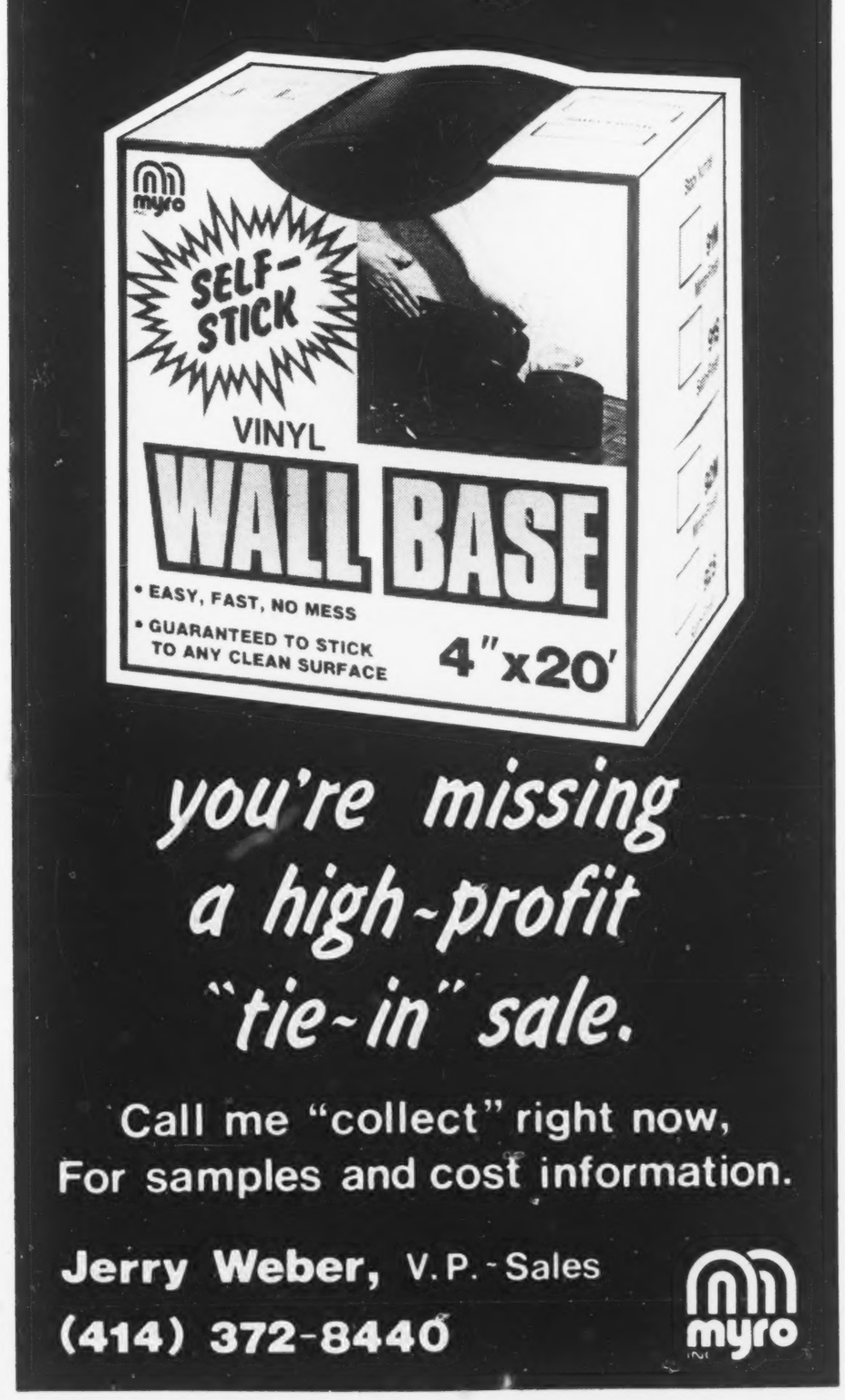
Total Contract Vol. (Through 1/19): 19,930 — **Previous Two Weeks: 14,871**
Total Open Interest (As of 1/19): 8,125 — **Previous Week: 7,863**
Cash Price: $161.70 — **Previous Week: $166.60** — **Year Ago: $186.20**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '84	194.50	187.00	188.00	194.50	3	223.00	179.70
March	198.30	189.00	190.70	198.30	464	225.00	183.00
May	201.30	192.00	193.40	201.30	93	208.50	187.50
July	204.30	195.00	196.30	204.30	46	210.00	190.50
Sept.	203.20	199.00	199.50	205.50	2	212.50	199.00
Nov.	Not	Trading					

Total Contract Vol. (Through 1/19): 499 — **Previous Two Weeks: 585**
Total Open Interest (As of 1/19): 610 — **Previous Week: 550**
Cash Price: $193.06 — **Previous Week: $196.98** — **Year Ago: $209.72**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	275.0	274.9	239.1

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Jan. 19.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.



LUMBER REPORT

Wall St. turns futures profits amidst skeptical lumber industry

(Continued from page 1)

lumber prices are affected.

"These new companies have brought greater efficiency to the distribution of lumber," said Ted Bloch, president of Chicago's Bloch Lumber Co., an established wholesaler and lumber broker. "Whether they continue to survive in the industry will be determined by whether the efficiency of their formula is greater than the inefficiency of their way of doing business.

Bear Stearns initially took a major lumber position in the fall of 1982, when prices were depressed and most wholesalers and retailers were unwilling to buy more than their immediate needs. When random length s-p-f prices rose by about $100 per thousand board feet between October 1982 and June 1983, the company apparently made significant profits.

It continues that seasonal buy-sell pattern, potentially benefiting from the historical rise in lumber prices from fall to spring. Cash needed to take a substantial position in the lumber market and store the wood for months is available because of Bear Stearns' access to credit markets, a source close to the company claimed.

He argued that this financial strength also allows the company to offer advantages beyond price. Specifically, Bear Stearns customers may be offered lumber on a pay-as-you-use-it basis, with the brokerage financing the inventory that sits in a dealer or wholesaler's yard. Since Bear Stearns has no distribution centers of its own, its wood is stored at reload centers and with customers.

Hedging, taking large positions in lumber and even financing inventory are not new industry practices. In fact, some have compared Bear Stearns to what formerly were called transit wholesalers, a dying breed.

However, Bear Stearns and some other companies are from outside the lumber fraternity. Their entry into the market has drawn substantial criticism and, perhaps, resentment at the idea of paper pushing, money wizards turning lumber profits without the normal headaches like large payrolls, capital costs and stumpage contracts.

"Anyone that comes in and tries to make the lumber industry dance to its tune because it appears as the savior is in for an extensive education," said Ken Porter, distribution division general sales manager for Georgia-Pacific, which had early dealings with Bear Stearns.

"Things that were normal for them were not normal for us," he continued, "and we were the ones who came from Rome."

The overriding criticism of new entries into the lumber business, such as Bear Stearns or Commodity Corp., Princeton, N.J., which reportedly operates a similar business, is that they will be gone as soon as the market softens: that they are speculators out for a quick buck with no real commitment to the lumber industry.

Bear Stearns insists that as an inventory financier it represents a new entity in the distribution of lumber. A spokeswoman for Commodity Corp. refused to comment on that operation.

"The criticism that Bear Stearns gets is that everything it does is purely opportunistic," said Don Zwanzig, futures broker with Stotler & Co., Spokane. "Bear Stearns makes no attempt to be an ongoing source of wood. Bear Stearns will only buy when the market is right and sell when the market is right."

> *'If the speculator buys a block of wood and stores it, the mill knows that sooner or later it'll be competing with that same wood . . . In several cases we've seen the speculator bring wood in the market and say it's from a particular mill, but below the mill's price at that time.'*
>
> —**Frank Robinson,**
> *forest products vp,*
> *Builder Marts of America*

The need to buy and sell only at particular times requires that lumber be stored for long periods, which gives rise to other criticisms, including charges that the extended storage results in a deteriorated product.

Also, "If the speculator buys a block of wood and stores it, the mill knows that sooner or later it'll be competing with that same wood," said Frank Robinson, Builder Marts of America forest products vp. "In

(Continued on page 13)

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LUMBER REPORT

Wall St. moves into lumber market

(Continued from page 12)

several cases we've seen the speculator bring wood in the market and say it's from a particular mill, but below the mill's price at that time."

Extended storage also produces perhaps the most controversial criticism of Bear Stearns and other entities like it, that the huge amount of lumber being stored depresses the market. Zwanzig, of Stotler, notes that despite tremendous demand for lumber during the past six months, between June 1983 and January 1984 spruce 2x4s were not traded at above $174.

"I would suggest that what happened the time spruce got to $174 was that someone made it available at $164," he said.

Estimates abound concerning the amount of lumber Bear Stearns and companies like it have on railcars and at reload centers throughout North America. A Canadian flatcar shortage has even been blamed on Bear Stearns by those who suggest the company stored lumber in cars because it received bargain demurrage rates.

It is difficult to assess the dimensions of Bear Stearns' lumber holdings because neither the company nor the Chicago Mercantile Exchange will provide numbers. While Bear Stearns dismisses the railcar shortage allegation, it does little to dampen speculation about the lumber volume it owns.

"A lot of the retail notion that if I call and deal with the mill I get the inside price is completely incorrect," said a source close to the company. "Some organizations, such as ours, have more inventory than any mill could possibly imagine having."

Some knowlegeable industry observers, like G-P's Porter, question the amount of lumber Bear Stearns controls. "I could buy 100 cars right now and I bet you that with the right conversations the opinion of the industry would be that I just bought 300 cars," he said. "We perpetuate our own ignorance in this industry because we are eternal optimists. I think the rumors of how much Bear Stearns owns and its influence are exaggerated."

"If Bear Stearns has 7,000 cars or 2,000 cars of lumber sitting somewhere I would find it hard to believe it was not trying aggressively to sell large volumes to people that could sell large volumes," Porter continued.

"They are not calling us other than trying to sell occasional cars. If that kind of volume was sitting out there, pressure on the market would be tremendous. The market would be trying to hit bottom. It has not and is not."

Bear Stearns is also not selling large quantities of wood to Weyerhaeuser, according to spruce purchaser Tom Ellis, who said the forest products giant had purchased some wood from the brokerage but characterized it as "a small percentage of what we do."

Among the major retailers, Payless just took its first shipment from Bear Stearns, only a few cars, and Lowe's volume with the company is insignificant, according to Ken Moore, vice president, merchandising.

"There's been an abundance of lumber recently," he said, "and no need to find another source."

Robinson of Builder Marts, which has also purchased some wood from Bear Stearns, questions whether the Wall Street team is an effective marketer of lumber. Actually, a main Bear Stearns player, Francis Dunlevy, comes from North Pacific Lumber, a wholesaler.

A source close to Bear Stearns would not comment on the effectiveness of the firm's program, but admitted that its biggest obstacle to success in the lumber business is the attitude of some potential suppliers and customers that, "We were in the business before you and we'll be in the business after you leave."

While Bear Stearns apparently can pick up new, important customers like Payless Cashways, many in the industry continue to express resistance to the new type of companies entering the business.

"What you want in an industry is participants who hve a stake in the business, an investment," said Rick Franko, sales manager for Weldwood, a British Columbia producer that last year sold 925 million board feet of lumber, some of which probably reached Bear Stearns through various channels.

Echoed Jack MacMillan, Canadian Forest Products vp for lumber marketing, "We feel we're better off dealing with longstanding customers who know how to distribute lumber."

Zwanzig, the Spokane future broker, speculates that Bear Stearns' success would, ironically, only number its days in the business because its activities will continue to stabilize lumber prices and minimize the seasonal price swings on which it depends for profit.

"They'll defeat themselves," said Zwanzig. "But people who use wood should be damn glad they're here because they're keeping the lid on the market."

> *'I could buy 100 cars right now and I bet you that with the right conversations the opinion of the industry would be that I just bought 300 cars . . . We perpetuate our own ignorance in this industry because we are eternal optimists.*
>
> **—Ken Porter,**
> *distribution div. general sales mgr., Georgia-Pacific*

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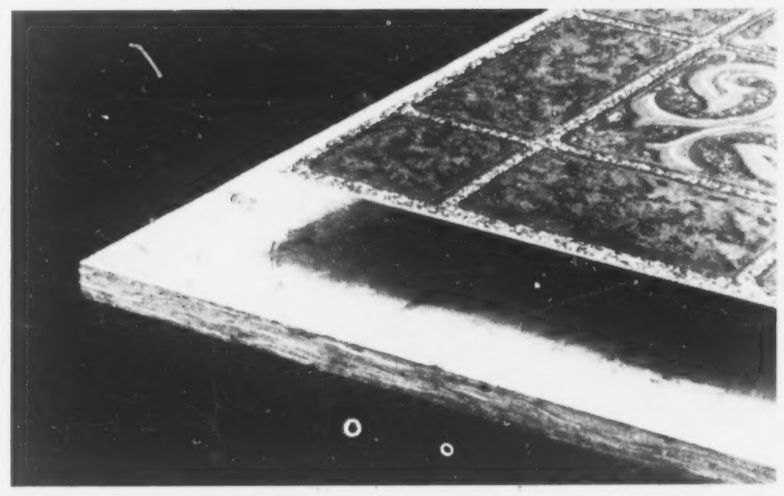

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National
Home Center News ®

Vol. 10, No. 5 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. February 27, 1984

Baltimore area home center lineup

Chain	No. of stores	Chain	No. of stores
Hardware Fair	10	Channel	6*
Hechinger	6	Inner Harbor	2
Scott's	6	Mr. Goodbuys	1

*Planned by end of 1984

Source: NHCN research

Channel will follow up last year's four-store expansion into Washington, D.C., with a six-unit move into Baltimore in 1984. NHCN photo

Channel maps 6-store entry into Baltimore metro market

1984 expansion will push chain over 100 stores

By Greg Puchalski
NHCN senior editor

BALTIMORE—Channel Home Centers will follow last year's four-store expansion into Washington, D.C., with a six-unit move into this market in 1984.

Although chain officials said they have not finalized the timetable and the sites for the expansion, they noted that all six outlets will be operating by the end of the year. Negotiations for sites, both as takeover and new-build facilities, are proceeding.

Channel's move here with stores averaging 50,000 sq. ft. will match the penetration of Hechinger and Scott's, both of which have six stores in the Baltimore area. Hechinger, in fact, debuted its sixth store in six years in the market only last December.

The expansion will result in Channel sharing a market with Hechinger for the third time and with Scott's for the second time. The three compete in the Washington area while Channel's and Hechinger's initial encounter took place in the Philadelphia area in 1981.

However, the Washington scene has developed into a sharp pricing battle among the three, especially since Channel unveiled a "warehouse price" strategy aimed mainly at counteracting Hechinger's dominance in the market (*NHCN*, Sept. 26, 1983). Dealers expect the price battle simply to extend northeastward because Channel probably plans to employ its Washington pricing strategy in its Baltimore stores as well.

Hechinger has reacted in the Washington market with lower prices of its own.

"At one time, Hechinger personnel worked a 24-hour day at a store to adjust prices," an area retailer related. "There's definitely going to be a price war in Baltimore."

Dealers expect Channel to "dot the Beltway," according to Inner Harbor Lumber and

(Continued on page 92)

Scotty's hardware stores aimed at smaller markets

ST. CLOUD, Fla.—Scotty's has launched a new retailing strategy in this small town 25 miles southeast of Orlando where early this month it opened its first 8,000-sq.-ft. hardware store.

According to executive vp Dennis Stults, Scotty's plans to operate three to four Scotty's Hardware units by year's end

Scotty's HARDWARE
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with a second store scheduled to open next month in Zephyrhills, Fla., 20 miles northwest of the chain's Winter Haven headquarters.

The new approach is aimed at gaining sales from smaller markets where operating a typical 37,000-sq.-ft. Scotty's would be impractical. Stults said the hardware stores would also attempt to draw a higher percentage of women shoppers with a product mix partially designed to reach them.

The new store carries about 6,000 stock keeping units, or almost all the items stocked in the chain's typical stores, as well as a broad selection of housewares, cleaning aids and automotive accessories. Automotives will be expanded to all Scotty's 104 stores this year.

Scotty's St. Cloud store, which opened Feb. 3, and had its official grand opening Feb. 8-12, was formerly an Eckerd Drug store and is located in a strip mall with a Winn-Dixie supermarket and Ben Franklin variety store. Stults said ideal future sites would also be near supermarkets and drug stores to take advantage of the convenience aspect of one-stop shopping.

"This concept is something we've been toying with for a couple of years," he said of the hardware stores. "We feel the time is right and the market conditions are right for its introduction."

That timing may in fact be tied to the recent upturn in Scotty's performance. Earnings in the quarter ended Dec. 31 rose 97% on a 25% increase in sales (21% on comparable stores) compared to the year before. A 60% gain in contractor volume and a 14% gain in DIY sales pushed quarterly revenues to $100.4 million and earnings to $6.3 million. Gross

(Continued on page 92)

Home Shop in upheaval:

New leadership pares growth plan

By John Caulfield
NHCN senior editor

RICHMOND—Last February, Robert Hay told *NHCN* about a grand design to convert 34-unit Home Shop into a profitable 500-to-1,000-store goliath selling hardware and housewares in neighborhoods throughout America.

A year later the company is struggling with two fewer stores, flat annual sales of $24 million and a substantial decline in earnings. The company also has a new president.

Hay left in November and was replaced by John Sisk, president of The Home Shop's corporate parent, American Shelter Industries (AMSHEL).

Sisk has steered the chain on a new course that includes a revamped merchandising strategy, more rigid cost controls and an expansion plan about one-tenth the size of Hay's, although AMSHEL is currently investigating two chains that could add 20 stores and $20 million to the company.

Home Shop's upheaval stems from a merchandising approach adopted during Hay's tenure. The company pursued an aggressive pricing strategy that resulted in a four point drop in margin. To gain volume, advertising dollars were doubled, but the sales never came.

(Continued on page 91)

NEWSBREAKS

RETURNING TO NASHVILLE. Homecrafters Warehouse, Birmingham, Ala., will re-enter the Nashville, Tenn., market when it opens two warehouse-type units there by August. The chain, while operating as Homecrafters Centers, a Union Camp subsidiary, had closed five stores in Nashville and subsequently sold four of them to Lowe's late last year.

HEADING TOWARD ANOTHER BILLION. With four days in the fiscal year still to go and year-end adjustments yet to be made, Lowe's fiscal 1983 sales through Jan. 27 had reached $1.433 billion, up 39% from the comparable period in 1982.

INSIDE:

WINTER HARDWARE SHOW REPORT ..... Page 2
GREEN GOODS PRICES could rise due to a December cold snap in Texas and Florida that eliminated surplus stock .... Page 3
STOLEN FLAG EPISODE results in wave of free publicity for Somerville Lumber ..... Page 3
NATIONAL HOME CENTER SHOW PREVIEW Pages 15-22

Michigan paneling retailer borrows warehouse format

By Phillip M. Perry
NHCN associate editor

GRAND RAPIDS, Mich.—Eight years ago, when a young executive from a family-owned chain of Midwest lumberyards was looking for new merchandising ideas at a trade show, a vendor suggested he chat with James Sweet, now chairman of the board of Scotty's, the chain of home centers based in Winter Haven, Fla.

What came about as a result of a subsequent lunch and tour of several Scotty's stores was Payless Panel-Ville, an independent, $2 million Michigan chain of three specialty stores that has taken the unusual step of incorporating a number of characteristics more typical of high-volume, warehouse-type retailing.

PAYLESS PANEL-VILLE
SPECIALTY BUILDING SUPPLIES

Not only does the Panel-Ville approach include bare floors, bulk stacking and a no-frills look, but also the "buying in volume and stocking in depth" that lets warehouse operations compete aggressively on price.

Last month, in a move to identify the faster moving stock keeping units and thus adjust the selections of merchandise it purchases in volume, the chain began entering its inventory by item on a new computer system. The knowledge of which sku's move faster will allow the chain to purchase them in greater volume and thus at better prices.

Implementing a modern inventory management system is but the latest in a series of improvements instituted at Panel-Ville since its founder, James Rottschafer, had lunch with Sweet in Orlando, Fla., eight years ago.

"Scotty's was opening its 51st store at the time, and I was fascinated with several aspects of what I saw," recalls Rottschafer, the 44-year-old president of Payless Panel-Ville.

(Continued on page 92)

James Rottschafer combined the idea of a specialty store, some retail warehouse concepts and his knowledge of the paneling market to create Payless Panel-Ville.

NHCNews Briefs

Industry Update

Top execs resign in Evans move

PORTLAND, Ore.—Victor Posner's growing control over Evans Products has squeezed several top executives out of the company, based on information in an 8K report filed with the Security and Exchange Commission early this month.

The document also confirmed that Evans' corporate headquarters will be moved to Miami, "on or after April 20."

The four resignation announcements contained in the document roughly correspond to that time frame.

The following officers submitted resignations in late January or early February but will remain on Evans payroll through most of the spring: Donald Desimini, executive vp/finance and operations; Richard Kent, vp/general counsel; L. L. Weigel, executive vp, cfo, and Jerry Colson, vp/controller.

Homecrafters sale completed

WAYNE, N.J.—Union Camp earlier this month completed the previously announced sale of its Homecrafters' subsidiary to Homecrafters Warehouse, Birmingham, Ala., for about $31 million.

The final transaction came on the heels of Homecrafters Warehouse's initial public offering of two million shares of common stock at $16 per share. The company, headed by home center entrepreneur Georges Hanzi, used the proceeds from the offering to acquire 36 stores, including the new 57,000 and 69,000-sq.-ft. Homecrafters Warehouse outlets opened late last year in Memphis (*NHCN*, Dec. 12, 1983).

The sale ends a more than two-year search by Union Camp, a conglomerate with interests in chemicals and forest and paper products, to divest itself of Homecrafters and take itself out of the home center business. Hanzi was brought in to run Homecrafters and to formulate a deal in 1982.

Mich. Gen'l sells noncore holdings

DALLAS—Michigan General early this month sold six of its noncore businesses to another Dallas-based company for $19.5 million, including $9 million in cash and $10.5 million in a secured five-year note.

Michigan General retained only Diamond Lumber Homebuilding Supply Centers, which it purchased last September, Krestmark, the millwork manufacturer, and Allied Stores, a clothing chain in the Southeast.

The following companies were sold to Dallas' First Tarent Inc: Mike Hunter Highway Safety Construction; Marietta Concrete Co.; M-Chem Inc., a distributor of oil-filled chemicals; Kings Highways Mobile Industries Inc., a manufacturer of recreational vehicles; Pinnacle Books, a paperback publisher, and LFD Inc., a furniture retailer.

Pay 'N Pak Hawaii whse

HONOLULU—When Pay 'N Pak opens its Honolulu store this spring, the unit will be called The Home Improvement warehouse because the name Pay 'N Pak is already being used by another company on the island.

The Hawaii unit of the 100-store home center chain will be housed in a 75,000-sq.-ft. building formerly owned by Del Monte Corp. Annual sales are expected to reach $10 million initially, $15 million with store maturity.

A typical Pay 'N Pak generates average sales of about $2.5 million. That level has been boosted significantly in stores converted to warehouse formats, with the Kent, Wash., prototype experiencing 30% to 35% sales gains, according to a Pay 'N Pak report to its employees.

National Home Center News

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Vol. 10, No. 5 February 27, 1984

Second Winter Hardware Show sees larger industry attendance

***NHCN* staff round up**

LAS VEGAS, Nev.—Attendance at the second annual Winter Hardware & Home Center Show held here Feb. 11 to 13 surpassed the inaugural 1983 show, when some 20,000 persons participated in the three-day con-fab.

Although final attendance figures were not available, the show organizers said that 10 days before the event preregistration was 34% ahead of 1983's.

The major home center chains represented generally sent small delegations—typically one or two persons—and some manufacturers complained that the buyers weren't appropriate for their product categories.

Yet among the 750 exhibitors whose booths took up 170,000 sq. ft. of space at the Las Vegas Convention Center, there were many positive comments. Several manufacturers said booth traffic and sales leads were particularly strong from independent hardware retailers. One product maker asserted the eight leads he received in the show's first two hours justified his return to the show slated for Feb. 16 to 18, 1985.

Statements from show participants indicated that the show was an excellent opportunity for regional manufacturers and retailers who do not have the resources to regularly attend the major national trade shows. Consequently, its timing proximity to the National Home Center show being held in Chicago March 11-14 was not a problem for many participants in Las Vegas.

Among prominent home center retailers in attendance were most West Coast-based chains including Builders Emporium, Ernst. O'Malleys, Lumberjack, Boise Cascade, Lanoga, Nei-

(Continued on page 91)

National plans San Diego move; opens first new unit in two years

By Brad Altman
West Coast editor

SANTA ANA, Calif.—National Lumber has opened its first new unit in nearly two years and revealed that it has set its sights on San Diego County as part of a major expansion push that will see its store count increase to 18 by early 1985. The chain opened its 13th unit Feb. 10, in Culver City, a West Los Angeles community. The 60,000-sq.-ft. store includes 10,000-sq.-ft. receiving area and 50,000-sq.-ft. selling space, of which 7,000 sq. ft. is outside garden.

Mel Jaffee, National's president and ceo, confidently forecast that the store will develop into National's No. 1 sales volume store. National's 1983 sales are estimated at more than $100 million.

The new unit is on the site of a former Safeway supermarket and is the first store National has opened since its Palm Springs area store debuted in April 1982.

But National is now gearing up for fast-track expansion following its public stock offering last fall which raised some $10.5 million. Jaffee said National's 1984 capital expenditures budget for site selection, development and construction is about $5.5 million.

The five new units to open in 1984 and 1985 are:

—Encinitas. This northern San Diego County city will be the site of a 67,000-sq.-ft. unit. Groundbreaking isn't set until January 1985. Jaffee revealed that "new merchandising concepts" will be tested at this store, but wouldn't disclose any details. Further San Diego expansion is being explored, he said. The county is a logical

(Continued on page 91)

Existing homes more affordable at end of 1983

NATIONAL REPORT—Existing homes were more affordable in December than in any month over the last four years, according to the National Assn. of Realtor's housing affordability index.

The December index stood at 86.2, a rise of 1.4 percentage points over November. This is the sixth consecutive month that the index has risen.

December's index means that a household earning the United States median family income of $24,700 had 86.2% of the income needed to qualify for the purchase of a median price home

Three main factors were responsible for the increase in affordability, a slight drop in mortgage interest rates, and a decrease in resale house prices together with a modest rise in family incomes.

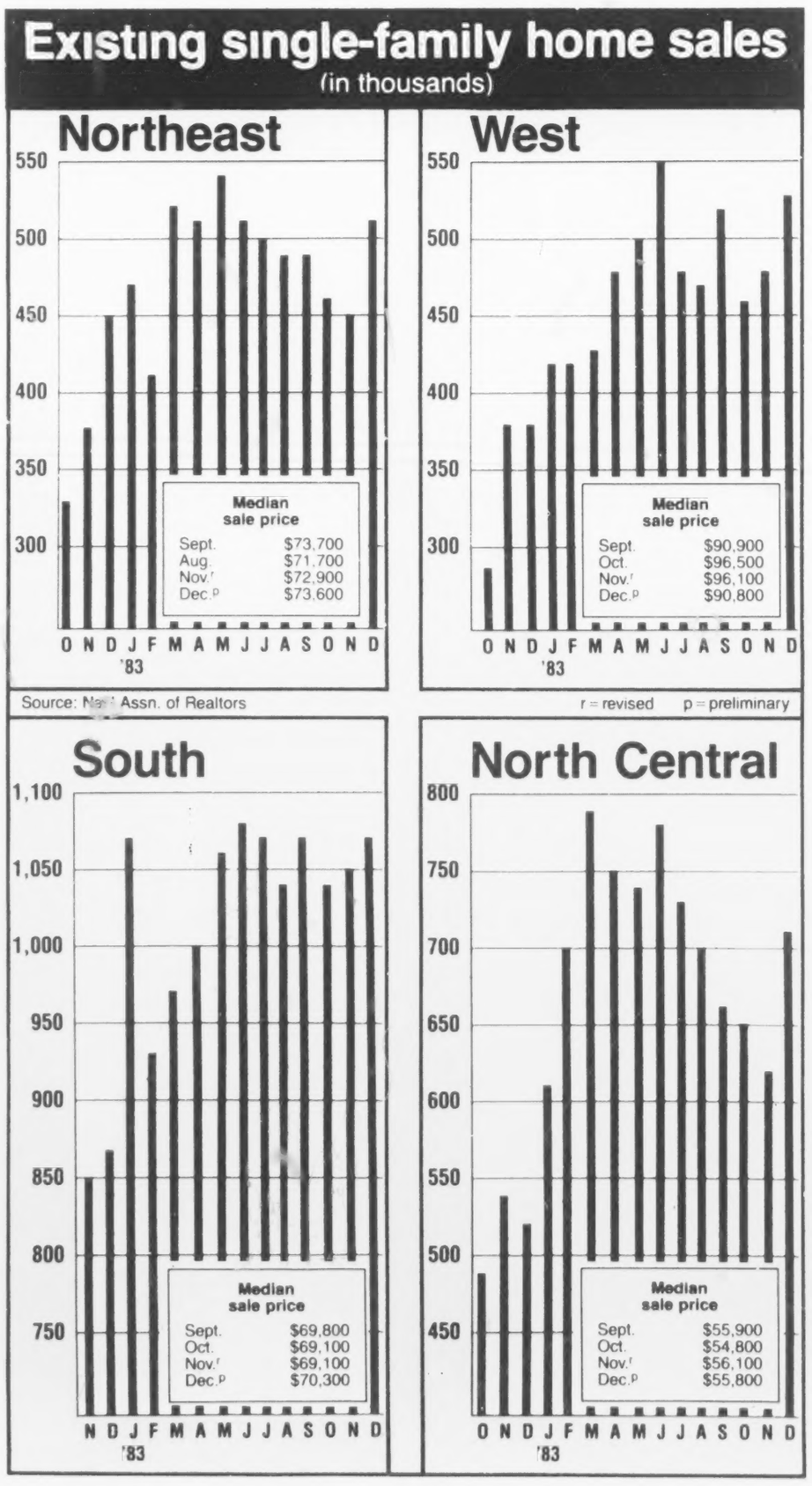
Although interest rates on fixed-rate mortgages remained the same as November, at 13%, those on adjustable rate mortgages (ARM's) dropped from 12.2% in November to 12% in December.

"The growing reliance on ARM's which carry lower initial rates than fixed-rate mortgages is helping many homebuyers to overcome affordability problems," commented Dr. Jack Carlson, the association's chief economist.

Of the loans closed in December, 59% were ARM's

December's rise in the housing affordability index is also related to the fact that the existing single-family home prices dropped by $100 over November, while at the same time median family income rose by $106.

This allowed households of median family income to qualify for the purchase of a $60,600 house



December existing home sales were up 8.5% over the previous month to a seasonally adjusted annual rate of 2.82 million units. The North Central region experienced the greatest increase, up 14.5% ended a five-month decline in resale activity. Nationally, the median sales price for single-family homes declined by $100 from November. However, prices continued to rise in the South and Northeast by $1,200 and $700, respectively.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	12/31-4th qtr. 12/31-Year	$ 900,940 3,450,890	$ 720,910 2,912,450	25 18	$ 14,230 60,380	$ 7,640 7,250	86 733
Color Tile	12/31-2nd qtr.	68,722	57,945	19	3,604	3,103	16
W. R. Grace	12/31-4th qtr. 12/31-Year	1,753,748 6,219,470	1,584,457 6,126,119	11 2	57,987 159,715	54,031 319,762	7 – 50
Southwest Forest Industries	12/31-Year	636,415	534,008	19	24,696	– 27,389	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 2/7	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		38¾	47⅜	34½	20
Edison Bros. Stores (NYSE) [Handyman, Homer's]		38⅝	46¾	27¾	11
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		8	19½	8	—
Forest City (AMEX)	A	15¾	20⅛	9⅛	12
	B	16	20½	13	12
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅜	50⅜	39½	13
Lowe's (NYSE)		20¼	32¾	18⅜	16
Michigan General (AMEX) [Diamond Lumber]		7¾	14	3⅝	—
Pay 'N Pak (NYSE)		15⅝	24	15¼	14
Payless Cashways (NYSE) [Furrow]		19⅞	34½	18⅜	15
Scotty's (NYSE)		14⅞	20½	14	13
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		13¼	16⅞	12⅛	—
Standard Brands Paint (NYSE)		19¼	28¾	18¼	11

Nasdaq—over-the-counter stocks

		As of 2/7	52-week High	52-week Low	P/E Ratio
Color Tile		16½	27⅝	13⅝	—
Hechinger	A	17	24½	15	—
	B	17	26½	14½	—
The Home Depot		17¼	31¾	14	—
Pay 'n Save		20⅛	29¼	16¾	—

Over-the-counter stocks

	As of 2/7 Bid	As of 2/7 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	22	24¼	25¼	12½
Hines Lumber	34½	37	41½	17½
Home Centers of America [units]	23	25½	51½	13¼
Homecrafters Warehouse	14	14¼	17½	14
National Lumber	9	9¼	13¼	9
Scotts Seaboard [Scott's]	4	4½	5	⅞
Wolohan Lumber	5½	5⅛	10⅛	5⅛

Boise Cascade distribution div. sales up 42% in 1983

BOISE, Idaho—Higher volume and a shift toward greater DIY business helped to produce higher profits for Boise Cascade's building material distribution division, which includes the company's 93 home centers in the western United States, officials said.

Sales in the fourth quarter increased 32% to $180 million in the division compared to a year ago to help 1983 division volume grow 42% to $731 million.

Combined with remodeling and remerchandising of various facilities over the past two-to-three years to take advantage of the DIY market, the sales results helped push profits higher in the fourth quarter and from a loss position in 1982 to a profitable one last year, according to officials. Specific earnings figures were not available.

The company's wood products business showed similar improvement and would have achieved breakeven in the fourth quarter and a modest profit for the year had it not been for losses associated with the closing of three Oregon plywood plants. Nonetheless, despite soft prices for its goods, the division's results were improved from 1982 when losses were substantial, officials said.

Overall, Boise Cascade showed an 86% rise in net income to $14.2 million on a sales gain of 25% to $900.9 million in the fourth quarter compared to the final quarter of 1982. Earnings for the year were up better than eightfold to $60.4 million on a sales increase of 18% to $3.45 billion.

Boise Cascade's capital spending for 1984 will double over 1983 to about $300 million, but a spokesman said the spending would not affect the company's stores in a significant manner.

Color Tile earmarks additional $5 million for stock purchases

FORT WORTH—Color Tile's board of directors has earmarked an additional $5 million for the purchase of the company's common stock, officials announced. From June 30, 1983 to Jan. 30, 1984, Color Tile had repurchased 1.1 million shares for about $18 million.

Color Tile's vice president, treasurer Barry Witt said the 600-plus store firm is repurchasing its stock because officials feel the stock is undervalued, it has excess cash reserves and to pay, in effect, a capital gains dividend to shareholders who sell the stock back to Color Tile.

The company has bout 9.5 million common shares outstanding.

Employees on the move?
Send us your personnel promotions and changes so that *NHCN* can keep the industry up to date about your chain. Include name of individual, company, new position, old position and years with the firm. Also, if possible, send black-and-white photo to People, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y.

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56% PROFIT
See Pages 28 & 29

FUTURES

Two weeks ended Feb. 3, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	190.60	174.30	188.80	177.20	3,890	240.50	170.60
May	198.60	185.00	196.60	188.50	2,203	245.50	184.00
July	206.70	195.50	203.70	197.70	1,149	252.50	193.50
Sept.	209.80	200.20	204.00	202.50	702	236.00	195.50
Nov.	208.90	203.00	205.50	204.80	465	228.80	196.00
Jan. '85	214.50	210.00	210.90	212.60	99	221.30	204.00
March	218.70	214.50	215.50	217.50	22	220.00	214.50
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March '84	202.00	191.80	201.50	193.90	382	225.00	183.00
May	204.70	195.30	203.70	197.00	107	208.50	197.50
July	207.50	198.00	206.80	200.00	57	210.00	190.50
Sept.	207.70	201.50	207.70	202.50	10	212.50	199.00
Nov.	Not	Trading					

Total Contract Vol. (Through 2/3): 18,346 — **Previous Two Weeks: 19,930**
Total Open Interest (As of 2/3): 8,576 — **Previous Week: 8,364**
Cash Price: $197.96 — **Previous Week: $164.64** — **Year Ago: $171.50**

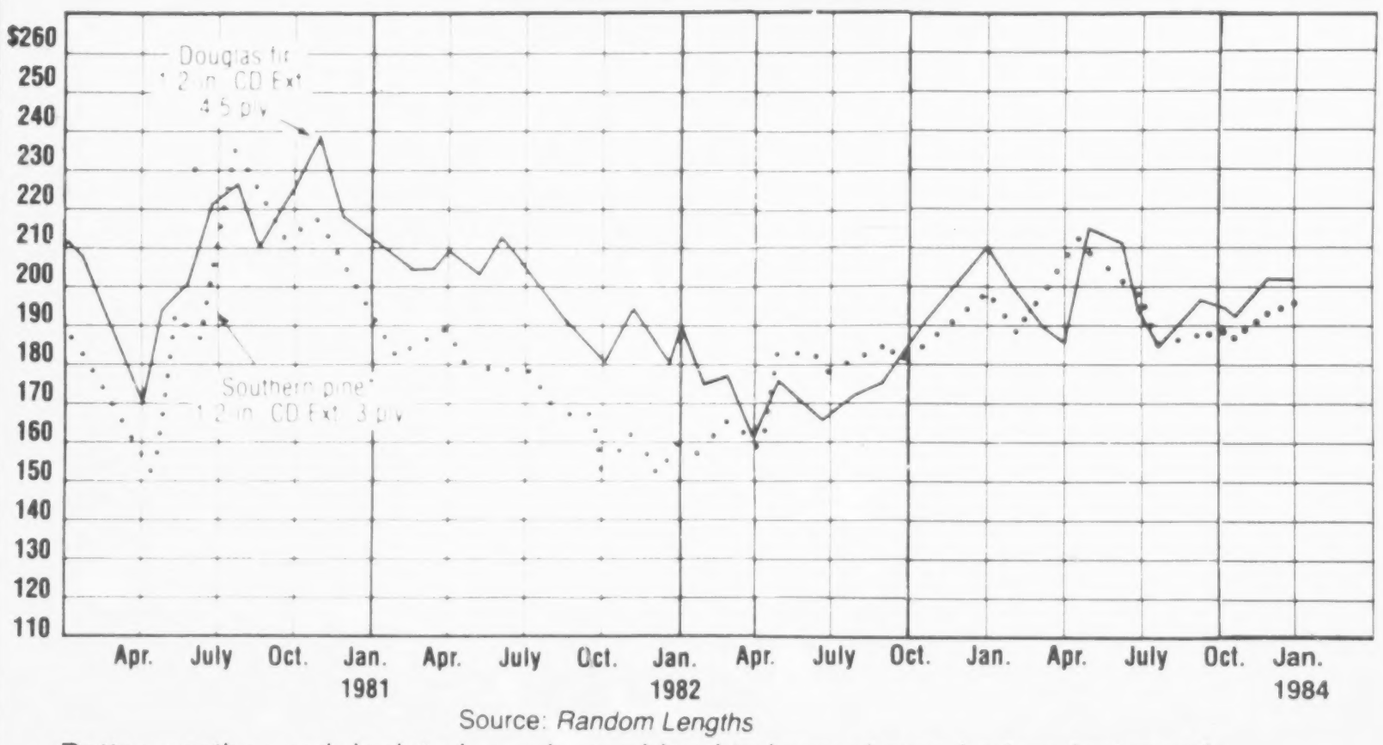
Total Contract Vol. (Through 2/3): 512 — **Previous Two Weeks: 499**
Total Open Interest (As of 2/3): 556 — **Previous Week: 583**
Cash Price: $182.28 — **Previous Week: $191.10** — **Year Ago: $195.02**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	274.8	275.2	242.0

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 2/3.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Better weather and depleted supply combined to buoy plywood prices last month.

Douglas fir ½-in. CD ext. 4/5 ply panels sold for about $202 per thousand square feet while Southern pine ½-in. CD ext. 3 ply prices rose to $195 per thousand square feet, according to Random Lengths.

LUMBER REPORT

Lumber demand, consumption to remain stable throughout '84

By Hawk Furman
Special to NHCN

The consensus from economists, mill operators, wholesalers, retailers and builders is that the lumber demand and consumption in 1984 will be about where it was in 1983. The prognosticators generally see stable interest rates, a low inflation rate and moderate labor costs.

A majority of forecasters see lumber and panelboard prices trading in a narrow range because of adequate production to meet demands. This may be so, but there could be a few surprises that lead to escalating softwood lumber and panelboard prices. The following are some factors that could disrupt the equilibrium in supply and demand.

Robert Spiller of the Mortgage Bankers Assn. sees a softening of mortgage rates of at least a half a point. Quinn Mill, a Harvard Business School professor, predicts mortgage rates will fall one point in 1984. It follows that at lower interest rates there are more qualified buyers for homes and therefore more of a demand for housing. According to Advance Mortgage Corporation, the drop in mortgage rates from 1982 to 1983 levels allowed an additional nine million more households to qualify to buy a new home. Creative financing continues to help more people afford homes.

'With any break in the strength of the United States dollar, there could be a significant increase in lumber shipped to foreign markets.'

—Hawk Furman

The U.S. Department of Commerce predicts a 6% jump in single-family housing starts. The National Assn. of Home Builders predicts a 7% increase in 1984 for single family units. A single family unit consumes considerably more softwood than a multifamily unit. The first phase of the housing boom is behind us. Traditionally it is a stage where first-time buyers get on board with their small starter home. The second phase usually finds people already owning a house moving up to a larger home. The larger the house, the more wood is consumed.

Nonresidential construction is forecasted to be stronger in 1984 than in 1983. With only 42% of all lumber consumed in new residential construction, there is a lot of lumber used in commercial and industrial applications. The usually optimistic Associated General Contractors of America peg the increase in construction in 1984 at 24% above 1983.

Exports of softwood lumber from North America can only go up in 1984. With any break in the strength of the United States dollar, there could be a significant increase in lumber shipped to foreign markets. Already, orders for Japan and China are better than in 1983.

There will be pressure on the cost of timber in the Pacific Northwest. The United States Government spent $234 million more to provide roads and administer forests than they received in timber receipts for 1983. Feb. 15, 1984, was the date for Western mills to accept the five-year deferment plan on their timber contracts or default on their obligations. Several marginal mills, because of their contracts, will be forced to close down no matter what opinion they choose.

Supply disruptions are very possible this spring. Currently, two British Columbia pulp and paper unions have not settled on a new contract. There is a threat of a lockout by mill management or a strike by workers that could close down 20 pulp mills. This will directly impact coastal lumber production. Currently, in eastern Canada, one mill is on strike and eight others are negotiating labor contracts. A strike at any of these mills is possible.

Hawk Furman is president & chief operating officer of Furman Lumber, Boston.

56% PROFIT
See Pages 28 & 29

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National Home Center Show Issue

National Home Center News®

Vol. 10 No. 6 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman In March 12, 1984

Hechinger, K mart form whse chain

Wickes, creditors reach agreement

Trade payoff: notes, stock $151 per $1,000 claimed

By Brad Altman
NHCN West Coast editor

LOS ANGELES—Wickes Cos. is likely to emerge from court protection under Chapter 11 of Federal bankruptcy law by late October now that its main creditors have agreed to a master plan of reorganization, company officials say.

The retailing parent of 225-unit Wickes Lumber and 56-unit Builders Emporium plans to eliminate its remaining $1.21 billion unsecured debt by paying $289 million in cash to creditors along with issuing $524.9 million in short- and long-term notes and more than 80 million shares of common stock valued at about $400 million.

The once-deeply troubled Wickes, which filed for protection from creditor lawsuits in April 1982, shaved its original $1.6 billion unsecured indebtedness by some $350 million late last year following court confirmation and creditors' acceptance of a reorganization plan covering credit corps.

Now, Santa Monica, Calif.-headquartered Wickes is preparing to file a plan sometime this month with the U.S. District Court based here that would settle its major claims involving its two principal operating subsidiaries, Wickes Corp. and Gamble-Skogmo Inc.

Based on the plan, Wickes Lumber and Builders Emporium trade creditors will be repaid, as follows for every $1,000 claimed: $151 in cash; $130 in 12% two-year notes; $358 in 12% nine-year notes, and 86 shares of the company's stock as presently constituted, Wickes executive vp Wilhelm Mallory told *NHCN*.

He noted that Wickes Lumber and BE fall under the Wickes Corp. creditors committee, which also includes as principal members Sequoia Supply and Wickes Furniture. The actual distribution to these trade creditors may vary by as much as 10% as a result of final claims reconciliation and resolution of unresolved issues.

Jeffrey Chanin, executive vp responsible for Wickes' bankruptcy reorganization, told *NHCN* in an interview that there are still some hurdles before Wickes emerges from the

(Continued on page 186)

Formation of The Home Team, K mart and Hechinger's joint warehouse home center venture was announced last month in New York. At left is Hechinger vp finance Stephen Bachand, ceo of the new company. K mart chairman Bernard Fauber is flanked by Hechinger chairman Richard England, left, and president John Hechinger.

3 stores set for Chicago

By Kenneth Schept
NHCN executive editor

NEW YORK—Hechinger and K mart have together formed a new company to open warehouse-type home centers nationally under the name The Home Team.

The first three stores, about 80,000 sq. ft. each, will open this spring in suburban Chicago, two of them in former K mart strip center sites in Elhurst and Des Plaines and a third in an Oaklawn ex-Woolco.

The new company will be headed by Stephen Bachand, Hechinger senior vp finance. Neither company would reveal the financing behind the venture except to say that Hechinger and K mart shared initial costs equally.

The Home Team expects to combine K mart's national marketing expertise, real estate and personnel reservoir with Hechinger's home center acumen to quickly build a countrywide chain that will intro-

(Continued on page 185)

Forest City to change Chicago units to whses

By David Morgan
NHCN field editor

CHICAGO—Forest City will convert its three stores here into retail warehouse units over the next several months, as part of an experiment that reportedly could affect the entire chain eventually.

The company also is said to be planning at least two new stores for the market, both of which would follow the warehouse format. Moreover, long-term plans reportedly call for maximizing store penetration here through the development of eight to 10 new warehouse stores.

The Cleveland chain's move into warehouse retailing comes at a time of unprecedented change for the Chicago home center market. Officials from K mart and the Hechinger Co. of Landover, Md., announced plans last month for the joint development of three 80,000-sq.-ft. home center warehouse stores in the area this summer (see story, Page 1). Moreover, Service Merchandise Co. said it would open a 70,000-sq.-ft. HomeOwners Warehouse store in Burbank, Ill., as well as a 54,000-sq.-ft. catalog showroom at another Chicago location.

Forest City was still renovating its suburban stores in Burbank, Lombard and Mt. Prospect, Ill., late last month, expanding sales floors into former storage rooms and adding pallet and cantilever racks to the units' interiors. Local observers said the Burbank store, with an estimated 60,000 sq. ft. of retail space, could have been ready to operate as a warehouse store before March, leaving the remaining units to be completed by the fall.

According to some of the chain's vendors, Forest City officials expect to transplant the new warehouse format to other markets if it proves successful in Chicago.

The company itself con-

(Continued on page 185)

NEWSBREAKS

MOORE'S LAUNCHES FIRST WAREHOUSE. Moore's was scheduled to open a warehouse-style home center in Charleston, W. Va. late last month.

HOW COLUMBUS BOUND. Homeowner's Warehouse will open two 70,000-plus-sq.-ft. units in Columbus, Ohio, this summer, the first penetration into the Buckeye State for the chain.

INSIDE:

Revelstoke, the Canadian home center chain, has had only "partial" success with its new warehouse-style store ..... Page 2

The Steiner family, former owners of the Lumberjack chain, plan to found a new home center chain in Reno, Nev. ..... Page 11

Sutherland Lumber is planning to open hardware outlets ..... Page 11

Despite their recent lackluster performance, Wall Street analyst Barbara Alexander expects an upward trend for home center stocks .... Page 23

National Home Center Show schedule ..... Pp. 29-32

Two former students have transformed their old high school into the town's home center ..... Page 50

Builder Marts of America has unwrapped its new home package program ..... Page 94

Why the bountiful predictions for record housing starts throughout the 1980's will likely fall short of expectations. Page 45

Builder Marts of America's Richard Ingram: 'When we were small, growth was a goal; now it's a result.' Page 73

Homecrafters is simultaneously opening warehouse stores and reformatting its traditional units. Page 160

NHCNews Briefs

Industry Update

Evans to open more whses

VENTURA, Calif.—Grossman's was scheduled to open a warehouse-style home center in Long Beach, Calif., this month.

Also, Moore's, another Evan's chain was scheduled to open its first warehouse-style home center late last month in Charleston, W. Va.

The California store will feature a drive-thru lumber concept in addition to product categories such as housewares and furniture not ordinarily associated with home center retailing.

Earlier this year Jack Kopkin, formerly senior vp and merchandise manager for Lindsley, was transferred to the same slot at Grossman's warehouse division headquartered here.

Tom Seefert, formerly assistant general merchandise manager at Lindsley, was promoted to vp and general merchandise manager for that company upon the departure of Kopkin.

Triangle plans fourth unit

ALLENTOWN, Pa.—Triangle Building Centers of Quakertown, Pa., says it will open a 72,000-sq.-ft. store here this summer, one of seven planned for the Northeast region over the next three years.

Thomas Ostrander, Triangle's retail division manager, said the chain's fourth unit will open next door to a Moore's store on the West Side of the city. "And that will round out our market in the Allentown/Bethlehem/Easton area," he said.

The chain opened a 60,000-sq.-ft. store last September in Wilkes-Barre, Pa., just a year after launching a 42,000-sq.-ft. unit 70 miles to the south, in Bethlehem, Pa.

The Wilkes-Barre unit, which is expected to generate $8.4 million in its first year of operation, recently was fitted with cantilever and H-frame racks for lumber and commodity merchandise. Ostrander said Triangle officials have yet to settle on an interior design for the Allentown unit.

New Payless features high end

CINCINNATI—Payless Cashways will open its first two stores here on March 1, and the 37,500-sq.-ft. prototypes will feature more high-end merchandise and more stylish displays than any of its other 121 units.

"In the past two years I've been with the chain, we've changed our prototype three times, and everytime we open a new round of stores, we make refinements," said vp-merchandising John Breedlove. "This year, we're paying more attention to how products are displayed."

The Cincinnati units—two of six the chain's planned for the market this year—will prominently display a $2,000 bath vignette and 12 other "mini-vignettes" in its bath department; a revamped ceiling fan display will show 30 sku's; wallpaper will be displayed with kitchen cabinets for the first time, and almost all of the units' departments will have upgraded merchandise and fixtures.

"We are upgrading our presentation to conform with our trending toward higher-end products," said director of display merchandising Brad Bright.

Breedlove also revealed that Payless continues to have difficulty getting all the merchandise it wants on its stores' showroom, and indicated that future expansion would include building even larger stores.

Evans spinoff passes a hurdle; trade worries over late payments

By John Caulfield
NHCN senior editor and
David Morgan
NHCN field editor

BRAINTREE, Mass.—Evans Products may be one step closer to spinning off its retail group, having recently hurdled a major stumbling block with its bank creditors.

Company insiders told *NHCN* that the consortium of banks to which Evans owes $475 million in secured debt have agreed not to hold the assets of the company's retail group as collateral for the loan.

Security analysts claim that the current assets from Evans' retail division comprise the bulk of the corporation's assets, which were reported in fiscal 1982 to be $369.4 million.

However, company officials and those familiar with the company said it would be virtually impossible for Evans to break off the retail group as a publicly held subsidiary in time to have any effect on its ability to pay the $60 million debt payment due its bank creditors on March 31.

And even as it has become more likely that the corporation will spin off the 345-unit, $900 million retail group, just when it will happen could be determined. At least two unsuccessful leveraged buyout attempts were made over the past nine months for the group by investors lead by retail group president Mike Grossman. Grossman declined to discuss the disposition of the possible spin off with *NHCN*.

Industry officials have been anxious to find out what Victor Posner, has in store for the retail group ever since his Miami-based company, Sharon Steel, acquired 43%, a majority repre-

(Continued on page 186)

Canada's first try at warehouses seen as only partially successful

CALGARY, Alberta—After six month's operation, the first experiment with warehouse retailing by a Canadian home center chain has been rated only a partial success by the company's president.

Steele Curry said that Revelstoke Cos.' 30,000-sq.-ft. "Superstore," which was converted last fall from a 10-year-old unit in this market's Eastport section, has met the chain's sales expectations, but only about 70% of its merchandising and marketing goals.

He explained that, because Western Canada's economy was still flagging, and because adjustments still need to be made in the store's display presentation, it was too early to tell whether the concept would be expanded to any of Revelstoke's other 79 units this year.

"We're operating in a bear pit right now, and Calgary is the country's most depressed market," Curry said. "In addition, competition is very stiff here. We don't expect the economy to improve until the second half of the year, at the earliest, but we won't be satisfied until the new store is up to 100%."

Curry said the decision to reformat the Eastport store was made after two competitors—HomeTown and Totem—opened up units in the market, exacerbating an already stiffly competitive situation.

Last September, Revelstoke officials tore down the wall separating the Eastport unit's selling floor from its warehouse (which Curry said took up one-third of the building), painted the interior and exterior of the unit and brought in 10-ft. and 12-ft. warehouse racks. Curry said the renovation cost "a bit under $500,000. We went quite

(Continued on page 186)

Home center show issue highlights

Housing

Home construction in the 1980's will fall short of expectations due to changes in the way Americans are choosing, and in many instances being forced, to live. This and other aspects of the future housing market are examined in an NHCN *news analysis pp. 45-48*

Canadian home center market

Canadian home center executives are expressing cautious optimism about the growth potential of their companies in what is shaping up to be an economically stronger 1984 for Canada. Evidence of the stronger economic conditions may be seen in Beaver Lumber's stepped up efforts to recruit new store managers to become franchisees of its smaller, rural units . . . . . pp. 152-156

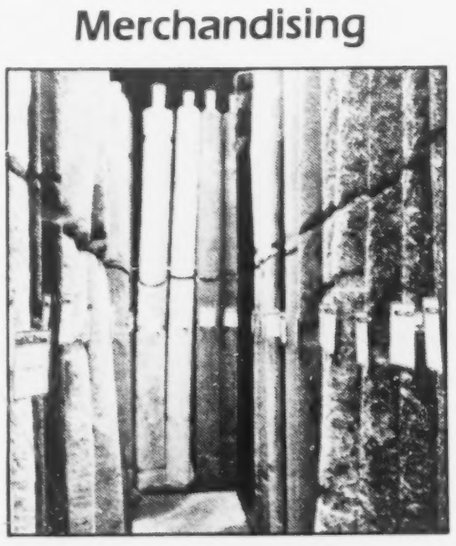
Trademark counterfeiting

United States suppliers are more aggressively seeking whatever means are at their disposal—including lawsuits, legislation, seizure of products at ports of entry, inspection of merchandise before it leaves foreign countries of origin and even raiding overseas manufacturers—to protect the "intellectual property" rights of their goods covering trademarks, copyrights and patents . . . . . pp. 78-88

Warehouse store update

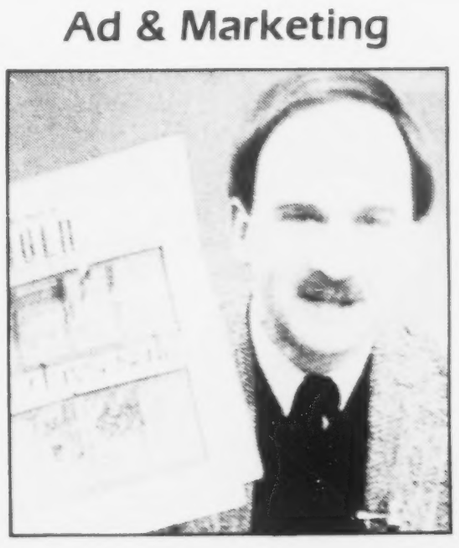
The home center industry's romance with the warehouse store continues. The Texas-based Home-Pro is planning a blitz of the Houston market with six new stores by the spring of 1985, and Homecrafters has recently opened its first units. NHCN *takes the first in-depth look at Homecrafters, the most recent entry into the warehouse field. . . . pp. 160-167*

Merchandising



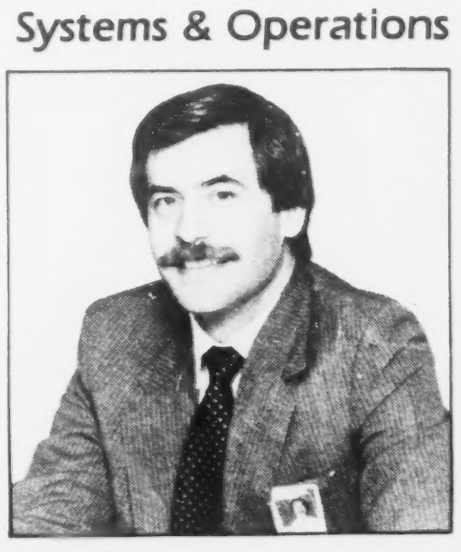
Lowe's has expanded its carpet selection at its new Mauldin, S.C., unit . . . . . p. 55
Stambaugh-Thompson has hired an outside market research firm to evaluate the chain's strengths and weaknesses . . . . . p. 58
Lloyd Lumber's name change to Lloyd Home and Building Centers has seen a new emphasis placed on both consumer and contractor business . . . . . p. 61

Ad & Marketing



A snow storm in Washington prevented Hechinger's Sunday supplement from being delivered and a local TV commentator was heartbroken . . . . p. 122
Ken and Gerry Boschwitz are stalking a No. 1 image for Plywood Minnesota with low-cost, high-profile television commercials . . . . . p. 107
Menard's print and television advertising campaign has had a strong impact on the Milwaukee home center market . . . p. 109

Systems & Operations



John D. Phillips, loss prevention director of Wickes, expressed pleasure at the formation of the Home Center Loss Prevention Council, an effort by eight home center chains to cut shrinkage . . . . . p. 147
Extended hours at Star Lumber have helped boost sales p.148
O'Malley Lumber has installed a $120,000 data processing system as the first step in a long-range plan to computerize all its 23 stores . . . . . p. 149

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Vol. 10, No. 6 March 12, 1984

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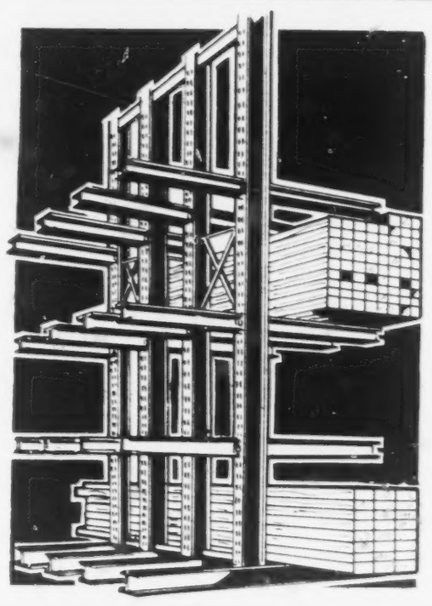

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January '84 housing starts climb to highest monthly total in 5 years

NATIONAL REPORT—Housing starts in January reached their highest monthly level in five years. Total seasonally adjusted starts rose to 1.92 million units, up 15% from the previous month.

Single family housing starts were a major contributing factor rising to 1.24 million units, seasonally adjusted, nearly 13% higher than December's figures.

Total building permits, an indicator of future housing activity, rose by 14.4% over December, to a seasonally adjusted level of 1.77 million units. This was an increase of 22.5% over January 1983.

Single family building permits were also strong rising to 976,000 units an increase of 12.7% over January 1983.

Three regions, North Central, West and Northeast all experienced great month-to-month increases in January housing starts reversing their December decline.

Seasonally adjusted starts for the North Central region reached their highest levels since December 1979 with 303,000 units, 52% above December's figures. The West also reached record levels with 531,000, a 46.3% increase over December and the highest since September 1979. The Northeast was up 29% from December to 189,000 units.

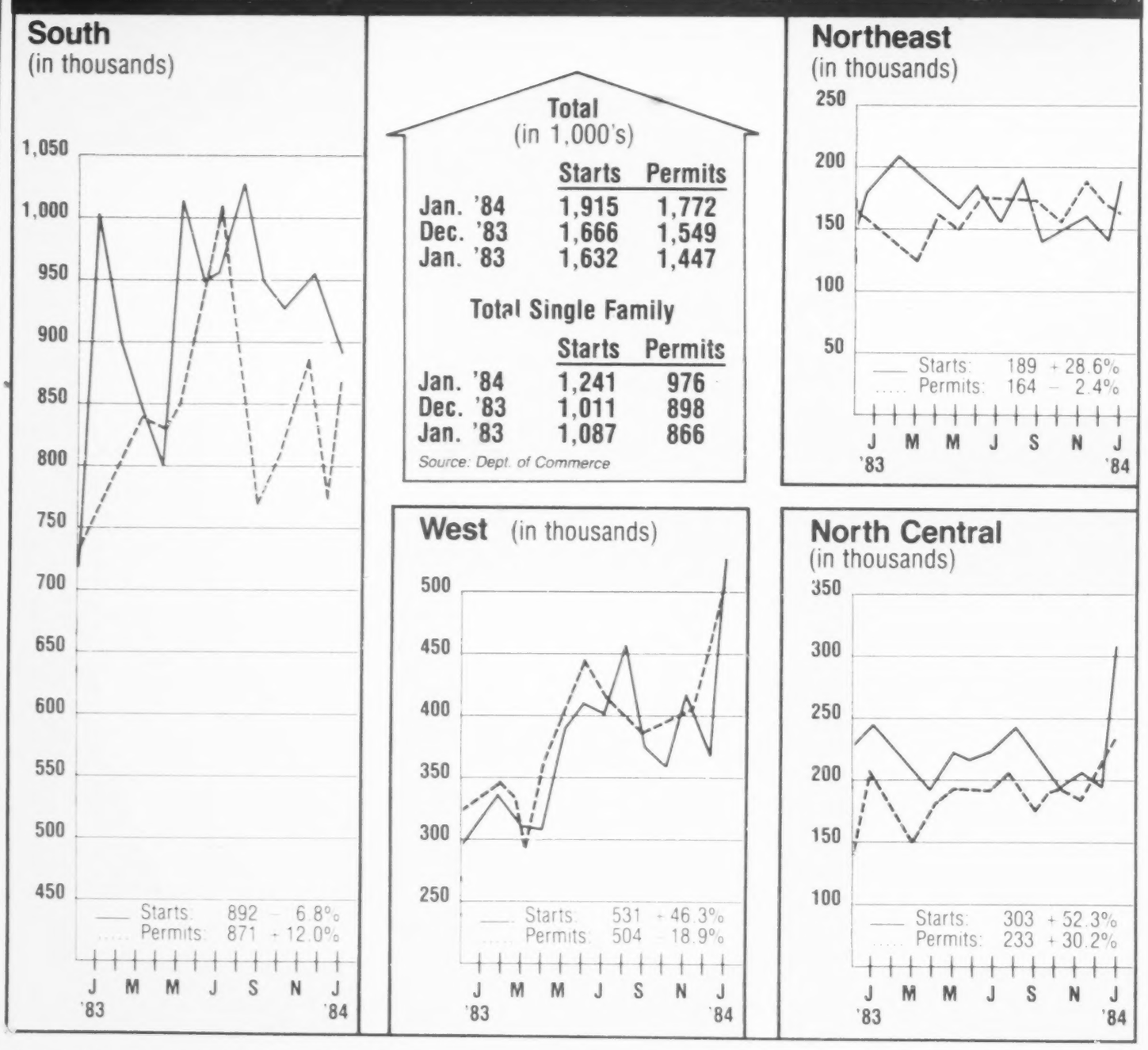
There was also a record increase in building permits in the West and North Central region. The West had 504,000 units, the highest since May 1979 and the North Central region had 233,000 units, the highest since October 1980.

Pete Herder, president of the National Association of Home Builders attributed the high level of new starts to near-record new home sales, a rise in resale housing and stable mortgage interest rates. Also, unusually good weather in California was helping encourage new building activity in the West.

Clarification

A chart on housing appearing on page 1 of the Feb. 13 issue stated $142 billion was spent on new home construction in 1983. The figure, from the National Assn. of Home Builders, reflected the collective sum homeowners spent on newly built homes, including builder marketing costs and profit. Actual expenditures by builders for construction materials came to $70.9 billion, according to the Department of Commerce.

January home-building activity



January's seasonally adjusted total housing starts rose to their highest level since December 1978 with 1.92 million units, an increase of 14.9% over the previous month. Single family starts were strong, up 23% to a rate of 1.24 million, seasonally adjusted. Both housing starts and building permits increased dramatically in the North Central and West regions reversing December's downward trend.

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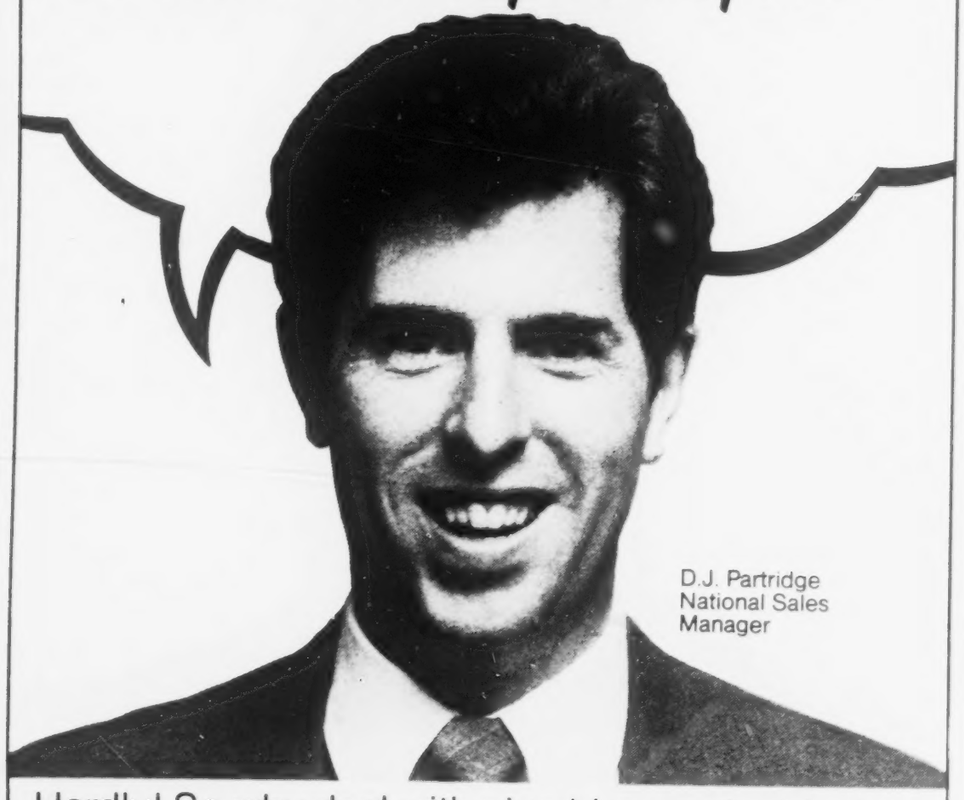

D.J. Partridge
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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Edison Bros. Stores	12/31-4th qtr. 12/31-Year	$ 305,700 1,021,500	$266,900 915,900	15 12	$21,700 48,900	$11,800 23,200	84 111
Lowe's	1/27-5 wks.	102,300	84,800	21	—	—	—
Scotty's	1/28-4 wks.	30,978	27,902	11	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 2/18	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		36⅜	47⅜	34½	19
Edison Bros. Stores (NYSE) [Handyman, Homer's]		36⅜	46¾	28⅛	10
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		7	19½	6½	—
Forest City (AMEX)	A	15⅜	20⅛	9⅛	11
	B	15½	20½	13	11
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		38⅞	50⅜	38½	12
Lowe's (NYSE)		17¾	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		6½	14	3⅝	—
Pay 'N Pak (NYSE)		15⅜	24	14⅜	13
Payless Cashways (NYSE) [Furrow]		19⅞	34½	18⅜	15
Scotty's (NYSE)		14½	20½	14	13
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		14¼	16⅞	12⅛	—
Standard Brands Paint (NYSE)		18¾	28¾	18	11

Nasdaq—over-the-counter stocks

		As of 2/18	52-week High	52-week Low	P/E Ratio
Color Tile		15¼	27⅝	13⅝	—
Hechinger	A	16¾	24¼	15	—
	B	17¼	26½	14½	—
The Home Depot		18¼	31¾	14	—
Pay 'n Save		20⅞	29¼	16¾	—

Over-the-counter stocks

	As of 2/18 Bid	As of 2/18 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	22	24½	25¼	15
Hines Lumber	34½	36½	41½	18½
Home Centers of America [units]	20½	—	51½	13¼
Homecrafters Warehouse	15¼	15½	17½	14
National Lumber	9¼	9¾	13¼	8¾
Scotts Seaboard [Scott's]	3¾	4¼	⅞	5
Wolohan Lumber	5⅛	5⅜	10⅛	5⅛

Color Tile's sales up 18.6% in 2nd quarter

FORT WORTH—Color Tile's sales rose 18.6% to $68.7 million, boosting its net income increase 16.1% to $3.6 million during the company's second quarter ended Dec. 31, 1983, company officials said.

An 11% jump in sales during the first six months of the fiscal year (at stores opened for at least a year) helped spark the sales growth, they pointed out. Commercial/contractor sales have also received a boost since last summer when the chain introduced a commercial price list and product directory.

The additional business with contractors as well as promotional activity cut into the company's gross profit during the quarter; however, officials said gross profit as a per cent of sales dropped from 57.7% a year ago to 54.5% in the second quarter.

Contributing to the improved profits picture was a decline from 43.9% to 40.8% in the ratio of selling, general and administrative expenses to sales in the quarter compared to the same period a year ago. Officials attributed the drop to continued staffing efficiencies and other cost containment measures.

Home Depot's fourth quarter volume rises 173% to top $82M

ATLANTA—Home Depot's fourth quarter volume rose 173% to $82.5 million to enable fiscal 1984 sales to reach $256.1 million, company officials reported.

The yearly figure is 118% better than in fiscal 1983 when sales totaled $117.6 million.

In the periods ended Jan. 29, sales at the original eight Home Depot stores in Atlanta and south Florida increased 33%, officials said.

Scotty's board calls debenture redemption for April 1, 1984

WINTER HAVEN, Fla.—Scotty's board of directors has called for redemption on April 1 its 9¾% subordinated convertible debentures originally issued March 1, 1981.

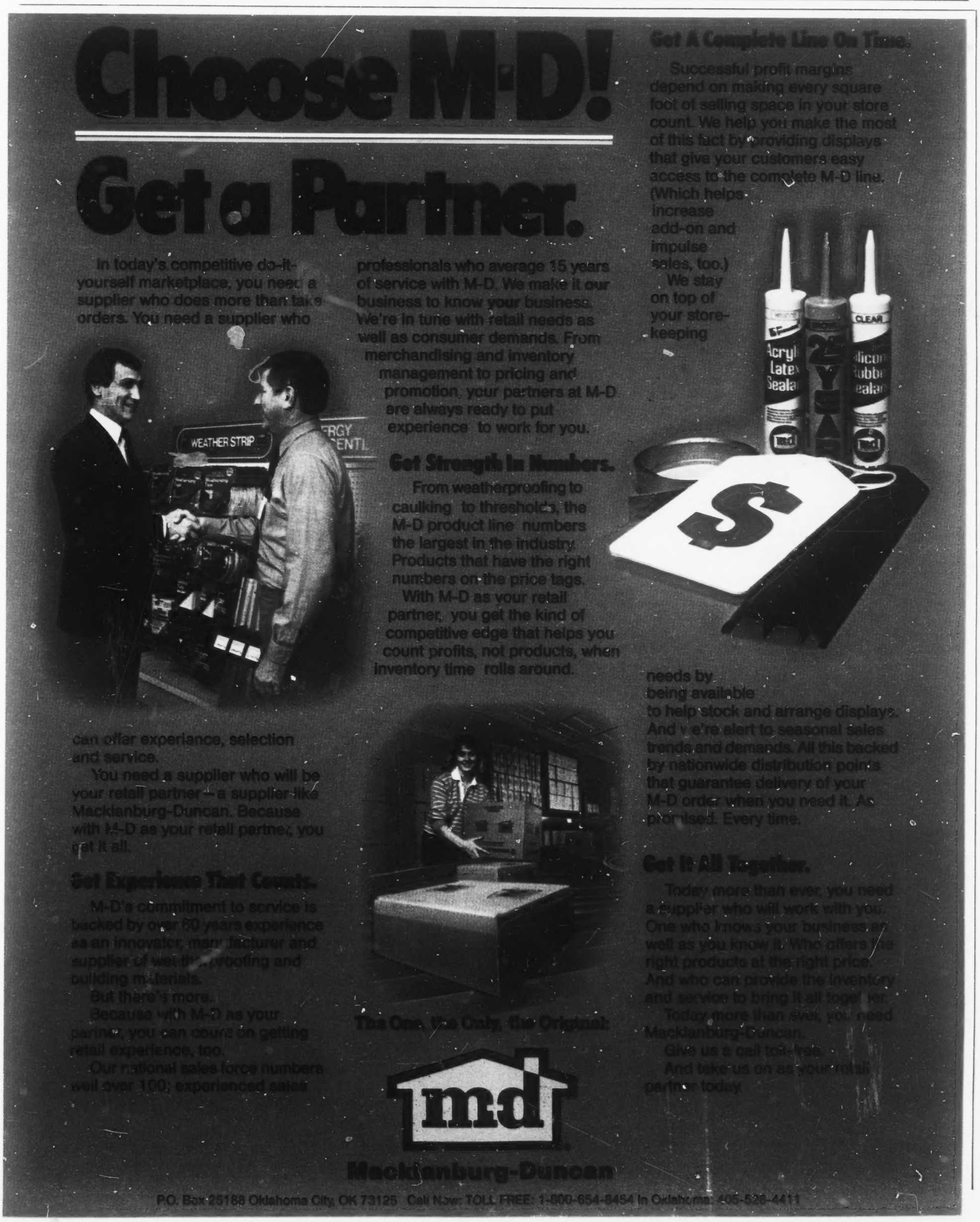
The redemption price is 107.8% of the debentures' face value plus accrued interest at the 9¾% rate to April 1. Their convertibility feature also allows holders to convert them into Scotty's common stock at a rate of $11.73 per share on or before the redemption date. As of Feb. 18, Scotty's stock was selling at 14½.

The original $15 million debenture offering, which had been noncallable for three years, helped finance a 15- to 20-store expansion program.

Palmer G. Lewis to broaden product base by proposed takeover

AUBURN, Wash.—Building materials distributor Palmer G. Lewis intends to broaden its base of product offerings through the proposed acquisition of Seattle Pacific Sales, a distributor of carpeting and resilient flooring, appliances and home-use electronic equipment.

The two companies have signed an agreement whereby Palmer G. Lewis will acquire the Seattle-based firm, subject to certain conditions, primarily in an exchange of common stock. Seattle Pacific shareholders are expected to vote on the proposal, whose terms and value were not disclosed, late next month.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Successful profit margins depend on making every square foot of selling space in your store count. We help you make the most of this fact by providing displays that give your customers easy access to the complete M-D line. (Which helps increase add-on and impulse sales, too.)
We stay on top of your store-keeping needs by being available to help stock and arrange displays. And we're alert to seasonal sales trends and demands. All this backed by nationwide distribution points that guarantee delivery of your M-D order when you need it. As promised. Every time.
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Get Experience That Counts.
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FUTURES

Two weeks ended Feb. 16, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	183.50	171.50	179.30	178.40	2,349	240.50	170.60
May	193.10	182.00	189.70	188.00	2,937	245.50	182.00
July	201.20	190.30	195.90	195.30	1,483	252.50	190.30
Sept.	206.70	193.30	201.10	197.20	763	236.00	193.30
Nov.	207.40	196.00	201.80	201.00	590	228.80	196.00
Jan. '85	211.00	202.30	208.00	207.20	102	221.30	202.30
March	215.50	210.50	213.00	212.00	336	220.00	209.30
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March '84	203.20	193.50	200.10	195.50	356	225.00	183.00
May	205.00	196.30	202.90	198.50	130	208.50	187.50
July	208.50	199.00	205.00	202.10	53	210.00	190.50
Sept.	209.50	202.50	206.50	205.50	9	212.50	199.00

Total Contract Vol. (Through 2/16): 22,836 — **Previous Two Weeks: 18,346**
Total Open Interest (As of 2/16): 8,401 — **Previous Week: 8,260**
Cash Price: $184.24 — **Previous Week: $181.30** — **Year Ago: $170.52**

Total Contract Vol. (Through 2/16): 732 — **Previous Two Weeks: 512**
Total Open Interest (As of 2/16): 548 — **Previous Week: 572**
Cash Price: $198.94 — **Previous Week: $200.90** — **Year Ago: $196.00**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	268.0	268.3	244.6

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 2/16.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

Wood deck popularity fuels record treated lumber sales

NATIONAL REPORT—While it is early in the season to judge the strength of treated lumber sales, chains and wholesalers are anticipating another booming year.

Builder Marts of America expects to sell 24 million board feet of treated lumber this year compared to 18 million board feet in 1983, according to Phil Arnold, BMA treated lumber manager.

At Sherwood Lumber, the Long Island wholesaler, sales are up 100% over last year, according to buyer Jim Butler.

Payless Cashways has purchased about 15% more treated lumber this year than last, according to senior lumber trader Vaughn Corban.

Treated lumber reached an all-time popularity last year, when the American Wood Preservers Bureau put its approval stamp on 2.2 billion board feet of treated lumber to be used for decks and similar construction; this was a 32% increase over the treated product approved in 1982.

The AWPB is expecting somewhat less of an increase in 1984, ranging from 20% to 25%. However, based on figures for January the interest in treated wood is climbing at an even faster rate than last year.

More than 187 million board feet of treated lumber were approved by the AWPB in January, about 64% more than went through the quality control inspection a year ago. The organization asserts that its numbers cover about 70% of all treated wood.

The increase in the numbers and continuing interest in the product by retailers and wholesalers seems to reflect America's sustained romance with decks.

"Treated is taking some business from cedar and redwood," said BMA's Arnold. "But more and more people are improving their residences. Treated doesn't seem to be tied in with new housing starts. Decks are just now becoming an amenity on new homes."

Indeed, lumber treated with water-borne preservatives, mostly chromated copper arsenate (CCA), has become in many respects the definitive DIY item. Sales are driven by remodeling as opposed to new construction, and at least two manufacturers, Coppers and Osmose, are transforming the commodity into a brand name product.

The sales potential has not been lost on either retailers or wholesalers. Scotty's, which sold 45 to 50 million board feet of treated lumber through June 1983 expects to sell at least 55 million board feet this year, according to Scotty's syp buyer Tom Lindsey.

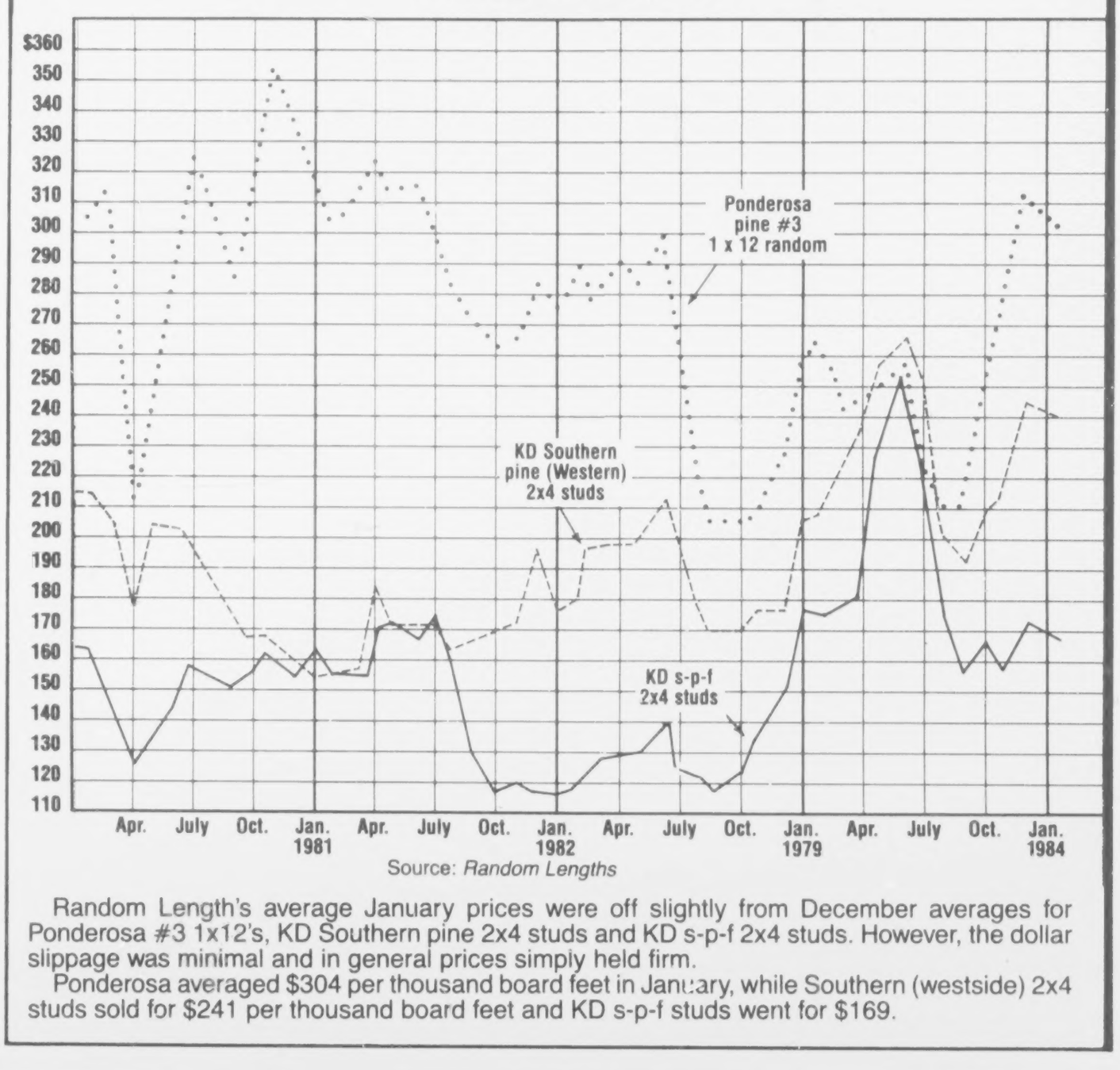
"It's gotten to be a major factor," he said. "We're selling two times as much treated as we are yellow pine."

BMA's growth in treated

(continued on page 22A)

Commodity close-up: Studs & boards

Average monthly mill prices

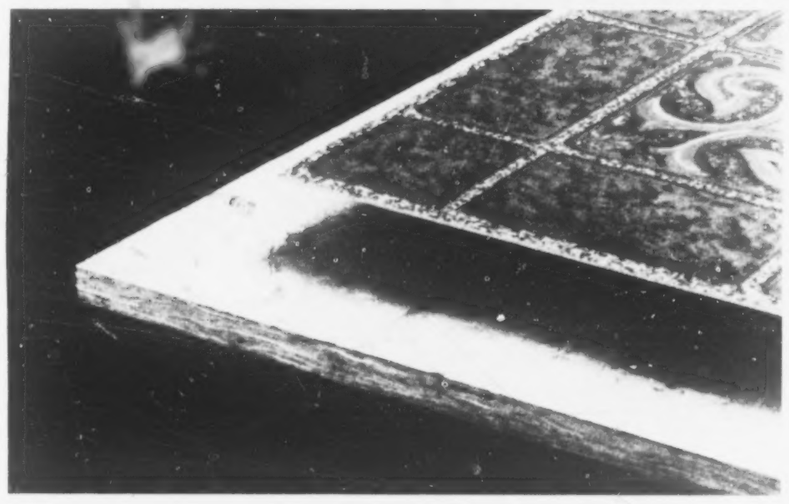


Source: *Random Lengths*

Random Length's average January prices were off slightly from December averages for Ponderosa #3 1x12's, KD Southern pine 2x4 studs and KD s-p-f 2x4 studs. However, the dollar slippage was minimal and in general prices simply held firm.

Ponderosa averaged $304 per thousand board feet in January, while Southern (westside) 2x4 studs sold for $241 per thousand board feet and KD s-p-f studs went for $169.

Together, at last



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LUMBER REPORT

America's love affair with decks propels sales of treated lumber

(Continued from page 22)

lumber has been staggering. Until 1981 the company was just making back-to-back purchases, according to Arnold. That year the buying group made its first block purchase. Its target for treated business is now 600% of what it was two years ago.

"We were somewhat behind on our efforts in treated until a couple of years ago" said Arnold. "We're just catching up. We have inventories in seven states right now an all-time record."

PAL's lumber sales have grown substantially as well over the past few years. The much smaller buying coop had sales of $4.3 million last year compared with $2.5 million in 1981, a 67% increase.

Companies expect strong sales to continue this year based on their purchases of treated lumber so far. BMA bought 4.3 million board feet in October that is essentially sold. Another 5.7 million board feet purchased in January should be sold by June, Arnold said.

Long Island's Sherwood Lumber bought five million board feet in September, which was all sold by December, according to Butler, the syp buyer. A second block of five million board feet bought around Jan. 15 was half sold a month later, he said.

Prices for the second purchase had already risen by $20 to $25 per thousand board feet, Butler added.

"We took a gamble because the timing was good," Butler said. "Once we knew we owned it I started putting the bug into retailers' heads."

Taking a large position in syp treated lumber offered potential profit opportunity based on the price rise from the fall, Butler noted. Westside syp averaged $220 per thousand board feet in September, according to Random Lengths. By January the price had risen to $264.

In contrast, Scotty's bought more cautiously, according to Lindsey, because prices were already relatively high in the fall, meaning that prices might move upward less sharply.

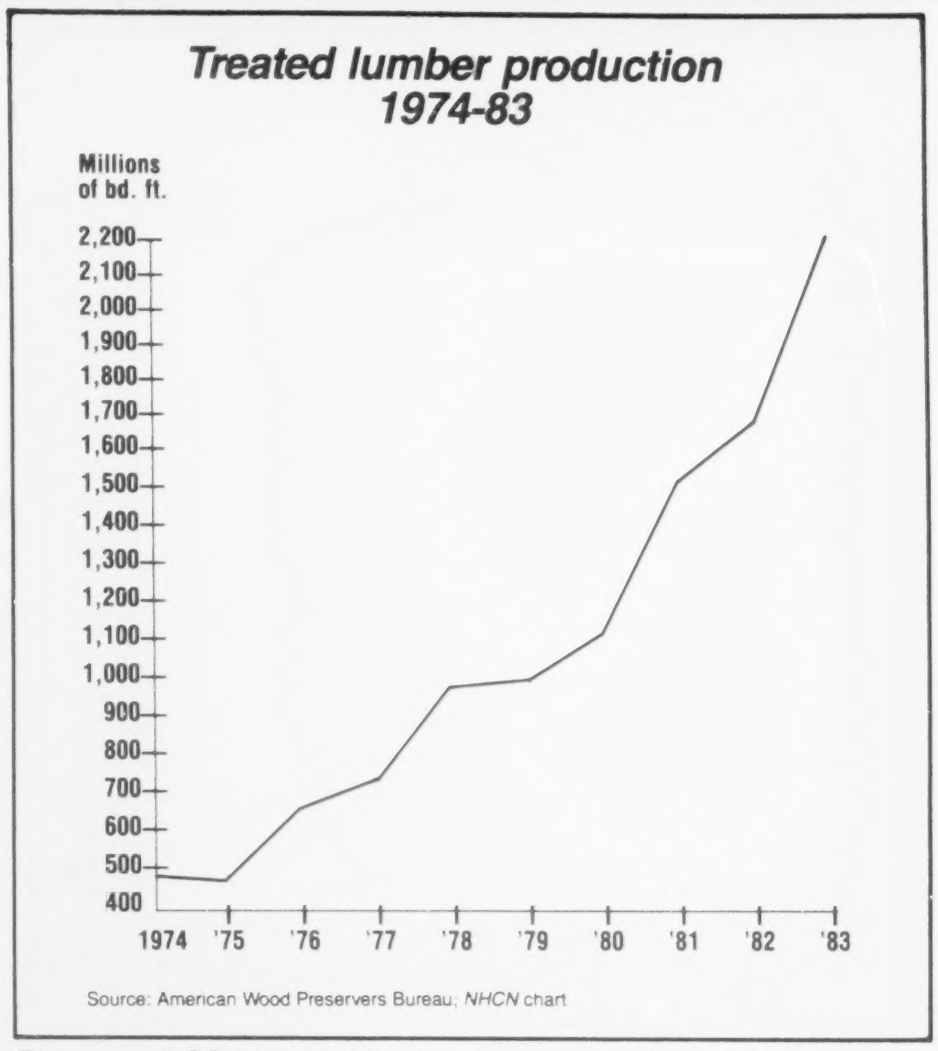
"This year 2x4s, the biggest mover, is 15% down from the all-time high," he said.

He noted that Random Lengths' price for 2x4x12s was $232 last October compared with $177 in October 1982.

In some markets ponderosa pine continues to be a factor in treated lumber sales. Payless Cashways' Corban noted that the treated lumber Payless sells in Iowa is predominately ponderosa.

Arnold noted that BMA's inventory of 1- and 2-in. thick lumber in Wisconsin is ponderosa. The preference is also a matter of price, he said, although some dealers claim that ponderosa yards better than syp.

There is a limit on how much of a factor ponderosa can become in treated lumber, Arnold noted, because western mills that produce softwood commodity lumber label it s-p-f and do not distinguish whether an individual piece is spruce, pine or fir. Since only pine accepts treating chemicals well, mills aiming at the treated market would have to modify their production methods.



The use of CCA treated lumber has grown about 350% over the past 10 years based on American Wood Preservers Bureau figures. The numbers represent the board feet approved by the AWPB, a quality control organization. AWPB-approved wood represents about 70% of all treated lumber, according to that organization.

Predict explosion in treated wood uses

ARLINGTON, Va.—The greatest volume of wood treated with water-borne preservatives will continue to go into the deck-building market during the next decade according to projections by the Society of American Wood Preservers.

However, the growth rate of that market will be low compared to the explosive expansion in other treated wood uses the Society projects.

"People are looking at the DIY market as having plateaued" said David Lewis SAWP director of Government Affairs. Treaters are pursuing other markets, he said.

Those other applications include wood treated with fire retardant chemicals and preservatives in all-weather wood foundations and sound barriers along highways.

According to Lewis, current production of lumber treated with water-borne preservatives is about three billion board feet, which is expected to increase by about a billion board feet in three years and double over the next decade.

Of current production roughly two billion board feet went into decks and similar projects last year. That amount should increase to 2.5 billion in three years and 3.8 billion in 10 years, according to Lewis.

That steady growth may be reassuring to lumber dealers, but their greatest opportunity may be in the potential of treated lumber as a fire retardant, according to the society. While only 200 million board feet of lumber were treated with fire retarding chemicals last year, the Society expects 600 million board feet to be treated annually in three years which should grow to 1.7 to two billion board feet in 10 years.

Lewis said that a major marketing effort would be made by the treating industry to promote fire retardant lumber. While most fire retardant lumber has been used commercially so far, Lewis felt that the safety aspects of the product, along with insurance savings, could result in a retail market as well.

Fire retardant lumber is treated with different chemicals from chromated copper arsenate.

While, strong growth is predicted for new applications of lumber treated with preservatives, ultimately the amount of lumber consumed for these purposes is expected to be dwarfed by the deck and fire retardant markets.

About 24 million board feet of treated lumber went into all-weather wood foundations last year, according to the SAWP, which expects that amount to more than double in the next three years.

Highway sound barriers used three million board feet of treated lumber this year, and should use 20 million in three years.

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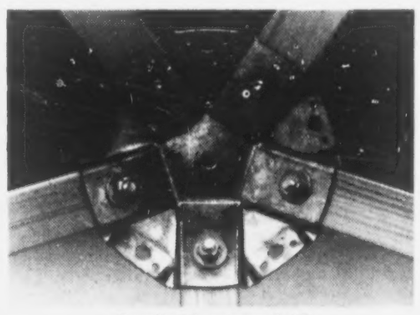

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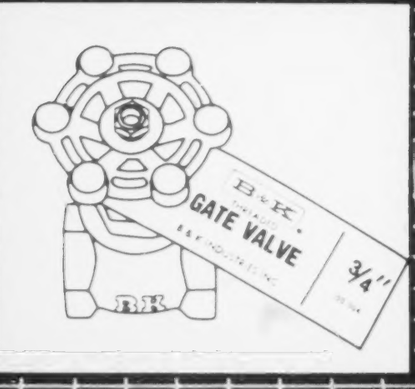

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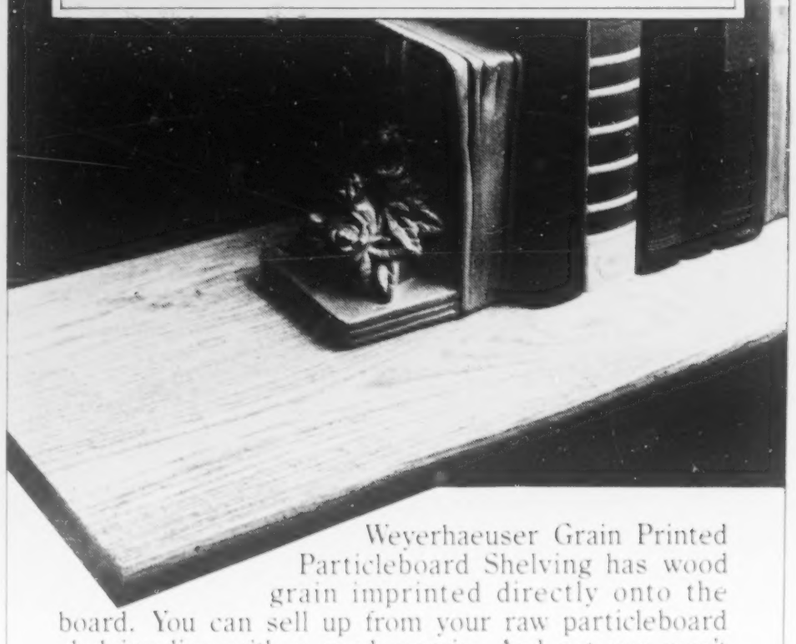

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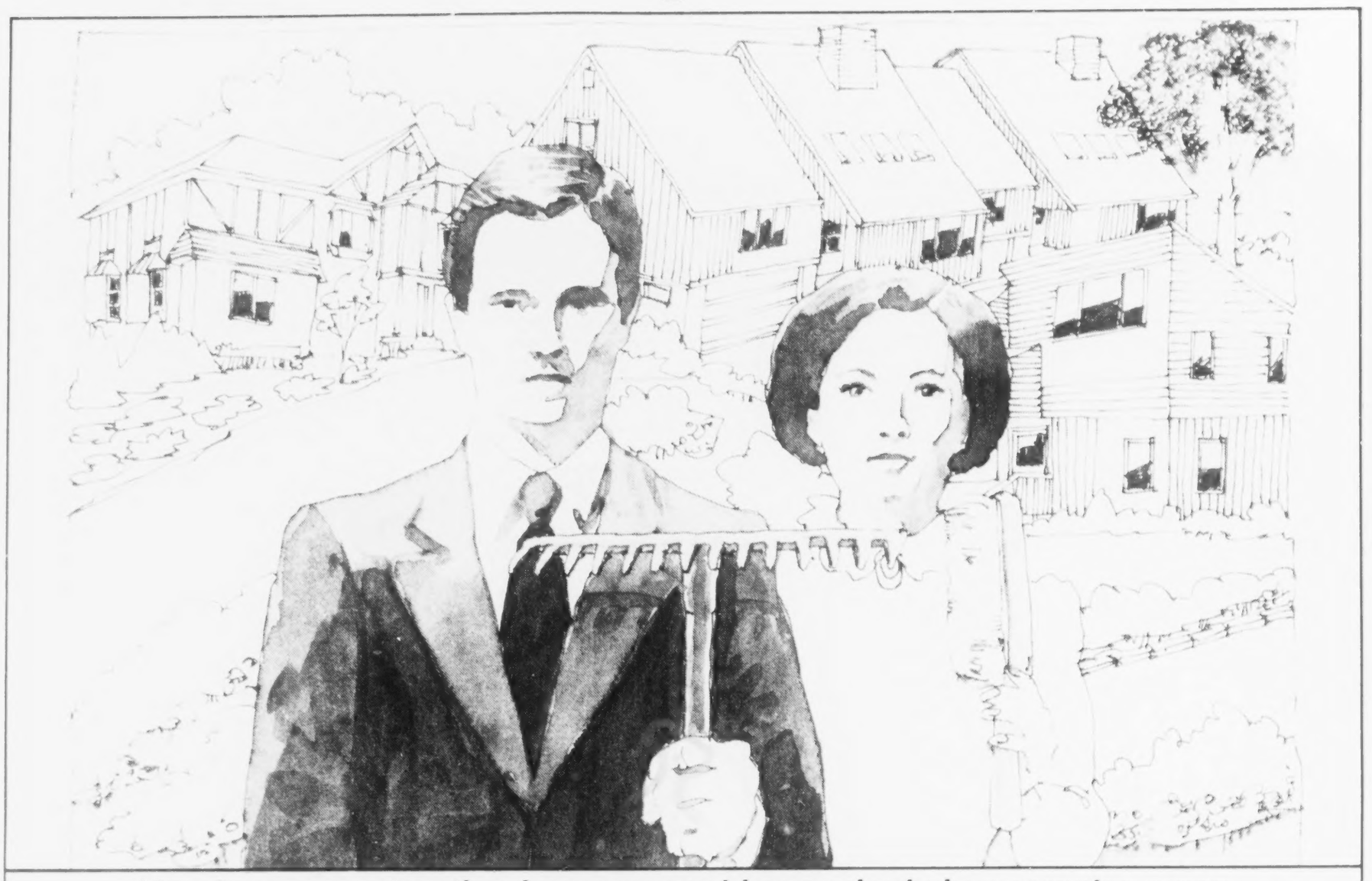
Why home construction in the 80's will fall short of expectations

By Wyatt Kash
NHCN editor



NEWS ANALYSIS

The month was December, the year 1978: America's housing industry was still riding the crest of an era when two million housing starts a year was both a symbol of vitality and the prognosis for the decade ahead.

By all accounts, 42 million people were scheduled to reach the age of 30 during the 1980's—10 million more people at the home buying threshold than in the decade before, when housing demand had already cast 1971, '72, '73 and '77 into an elite club of two million housing-start years.

It was to be, however, the last month on record for which U.S. Department of Commerce figures would show the annual rate of new home starts at the two million plateau; and the last year in which American home builders were to begin work on two million new homes.

Now, 63 months later, following back-to-back recessions that hurtled the home building industry from production peak to purgatory, home builders are once again reaching for the two million unit plateau.

Commerce Department figures released last month startled even the optimists, who are calling for a 1.7 million housing-start year this year, as the rate of new home starts rose to 1.92 million units. It was the largest single jump—25.9%—in a year, and most of it came from single-family home starts.

But to a growing cadre of housing analysts and demographers, the forces thought to be underlying the expected demand for housing five years ago are no longer the same. Indeed, the notion that America can sustain the housing production levels of the past decade has come under increasing doubt.

New housing dynamics

Because of changes in the way Americans are choosing and in many instances, being forced, to live, the rate of household formation is expected to slip dramatically during the 1980's, rather than grow.

Moreover, while pressure remains high in many regions, particularly in the Pacific, Mountain, South Central and South Atlantic states, to meet housing demand, the adaptive use of existing housing inventory is increasingly filling the need for additional housing stock.

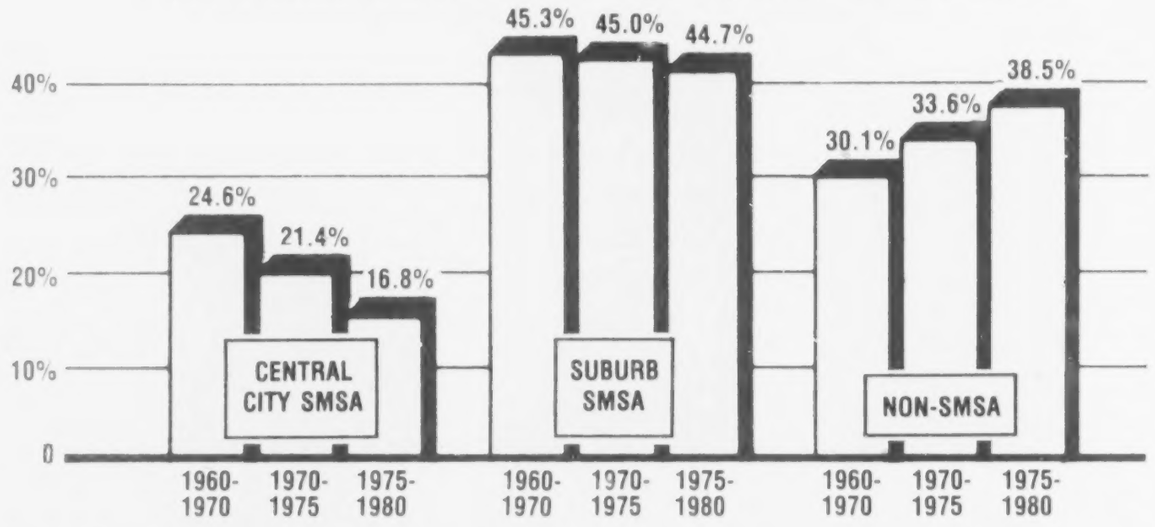
And, perhaps most importantly to building material marketers, is the growing force of nonmetropolitan markets, which have moved up to the No. 2 position for growth, behind suburban SMSA's, and well ahead of metropolitan SMSA's. During the 1970's, almost 30% of the total growth in housing inventory was in nonmetropolitan areas, according to William G. Apgar Jr., director of the Housing Futures Program at the Joint Center for Urban Studies of M.I.T. and Harvard University.

That, notes Apgar, is equivalent to the share captured by the nation's 34 largest metropolitan areas.

These changes promise to alter many of the assumptions the building supply and home improvement industry have held regarding the growth of housing in the United States, if not in magnitude and degree, at least in texture and composition. And foremost among those assumptions is the belief that America's pent up demand for housing will fuel a need for no less than two million new housing units a year during the 1980's. In fact, current indications now suggest that housing demand will support only 1.6 million new housing units a year, with an increasing portion of investment going into existing housing stock.

New home construction has occurred increasingly in nonmetro areas

(% of distribution of total new home construction plus mobile home placements)



Note: SMSA equals the 243 Standard Metropolitan Statistical Areas defined by the Office of Management and Budget in 1971.

Source: U.S. Bureau of Census, 1970, 1975, 1980 census and housing surveys; Joint Center for Urban Studies, M.I.T. and Harvard University (1983); *NHCN* chart

Household growth rates are slipping while fewer homes are being removed from the nation's stock. New construction will come increasingly from nonmetro and urban fringe markets.

Two million fewer households

While the growth in population is a driving force in household formation, the actual number of households can rise at a faster rate than the number of people if the number of people in an average household declines.

That has been the case over the past two decades, as more and more individuals, and unmarried adults with children, formed their own households.

According to George Masnick, also of the Joint Center for Urban Studies, 16.8 million households were added to existing stock, between 1970 and 1980, compared to net additions of 10.6 million in each of the previous two decades.

Married couples headed only 28% of the new household additions during the 1970's while single persons headed 42%, (related family members comprised the balance of household formations.) Where married couples once comprised 80% of the households in the United States in 1950, they now account for only 60%.

Slowdown in new households

"It is a mistake to assume that the pattern of change during the 1970's will automatically continue into the 1980's and beyond," however, warns Masnick.

"There is good reason to expect that [household] headship rates among unmarried adults of all ages will stop increasing, and may even decline in the future," he said, in a report published by the Joint Center.

For one, the baby boom generation that fueled 63% of the new households created during the 1970's simply as a result of aging, is beginning to taper as that generation moves into middle age. Secondly, the population of adults reaching age 20 and older, which numbered 2.8 million a year in the second half of the last decade, will decline to 2.4 million in the first half of this decade, and 1.7 million in the second half, according to estimates by Robert Gough, senior vice president of Data Resources Inc. By the first half of the 1990's, he added, the figure drops to 1.3 million.

Perhaps as importantly, the high cost of housing relative to income and affordability continues to force many adults to delay setting out on their own, further limiting household growth.

"Throughout the remainder of this century," according to Masnick's view, "the relative absence of young children and the [existence of] larger housing units occupied by empty nest households may encourage an increase in two-generation households made up of both young adults and their parents and the middle aged and the elderly."

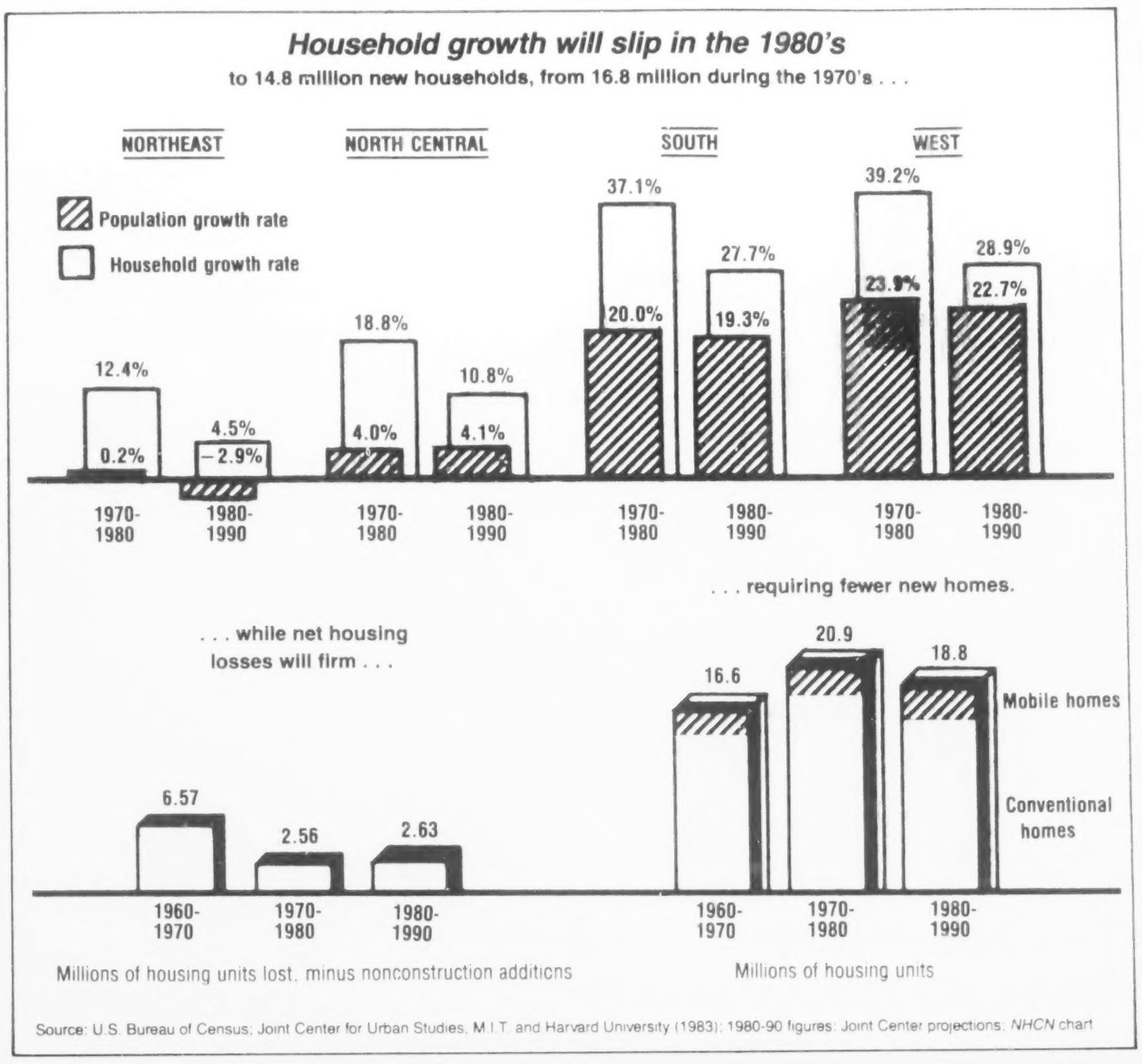
As a result, household formations will continue to grow faster than the population itself, according to Masnick and Apgar, but they will do so at a lesser rate during the next two decades.

Fewer new homes

Current population forecasts show that the growth expected during the 1980's (11.2%) will virtually match the 11.4% growth rates seen during the 1970's.

However, the growth rate for household formation, which grew at a rate of 26.4% during the last decade, is ex-

(Continued on page 46)



Why home building will fall short of expectations

(Continued from page 45)

pected to drop to 18.3% in the 1980's.

Put a different way, rather than the 1.6 million to 1.7 million new households per year originally predicted for the 1980's, indications now suggest the average will come closer to 1.48 million during the 1980's, and fall to 1.1 million in the early 1990's and 1 million by the end of the century, according to Joint Center estimates.

The result: 14.8 million new households will form in this decade, two million fewer than the previous decade.

The implication: Taking into account losses of existing homes which must be replaced, and assuming 2.5 million mobile home shipments will fill some of the total demand for housing, the Joint Center now estimates only 16.3 million conventional housing starts will materialize in the 1980's, compared to nearly 19 million the decade before.

One of the hidden forces behind these lowered housing projections is the reduction in the loss rate of existing homes over the past two decades, and the fact that non-new construction additions—the conversion of single-family homes into multiunit dwellings, for example—has risen.

Together, these two factors are playing a larger role in meeting some of the demand for additional housing. For instance:

During the 1960's, the housing market showed a net loss of 6.6 million homes, due to abandonment, destruction and the conversion of homes to other uses. This loss significantly offset gains made during the decade by the construction of 16.6 million new homes.

In contrast, net losses during the 1970's came to less than 2.6 million units, while home builders added 20.9 million homes to the national inventory.

The reduction in net losses is partly a reflection of lower total losses, as, in Apgar's words: America finished "weeding out a lot of junk housing stock" over the past two decades.

But it also reflects the fact that at least 2.7 million housing units were added back into market through conversions during the 1970's. These non-new construction additions (subtracted from gross losses to yield net losses), were nearly twice the number reported by the Census Bureau for 1960-70.

This increase played a significant role in boosting residential repairs and remodeling activity, which rose from $14.8 billion in value in 1970 to 46.3 billion in 1980 ($26.2 billion to $34.3 billion in constant 1977 dollars).

Home losses declining

The most substantial reductions in housing loss, occurred where population growth pressure was greatest, observes Apgar.

Gross loss rates of 15.6% recorded in central cities in the South, and 10.2% for suburbs in that region for 1960-70, for instance, fell to 8.1% and 6.1%, respectively, for 1970-80. Gross loss rates are the portion of housing inventory, as a percentage of inventory at the beginning of the decade, removed from the market.

Conversely, gross loss rates remain relatively high in North Central metropolitan markets (10.9% for 1970-80) and actually rose in Northeastern cities, from 10.6% in the 1960's to 11.9% in the 1970's.

However, Apgar notes that many of these homes are "disappearing" because of the growing interest in rehabilitation and conversions. In fact, Apgar predicts the Northeast will gain 25% (or about 600,000) of the units expected to be added in the 1980's from the non-new construction sector.

With net inventory losses having declined from 10.9% of total housing inventory in the 1960-70 period, to 3.7% in 1970-80, Apgar predicts that the actual number of houses lost in 1980-90 (2.6 million units, net) will be as low as those of the previous decade. That outlook suggests two things:

First that renovation, repairs and remodeling expenditures will account for an increasing share of total housing investments in the United States. The Joint Center for Urban Studies predicts that between 250,000 and 400,000 non-new construction units will be added

(Continued on page 48)

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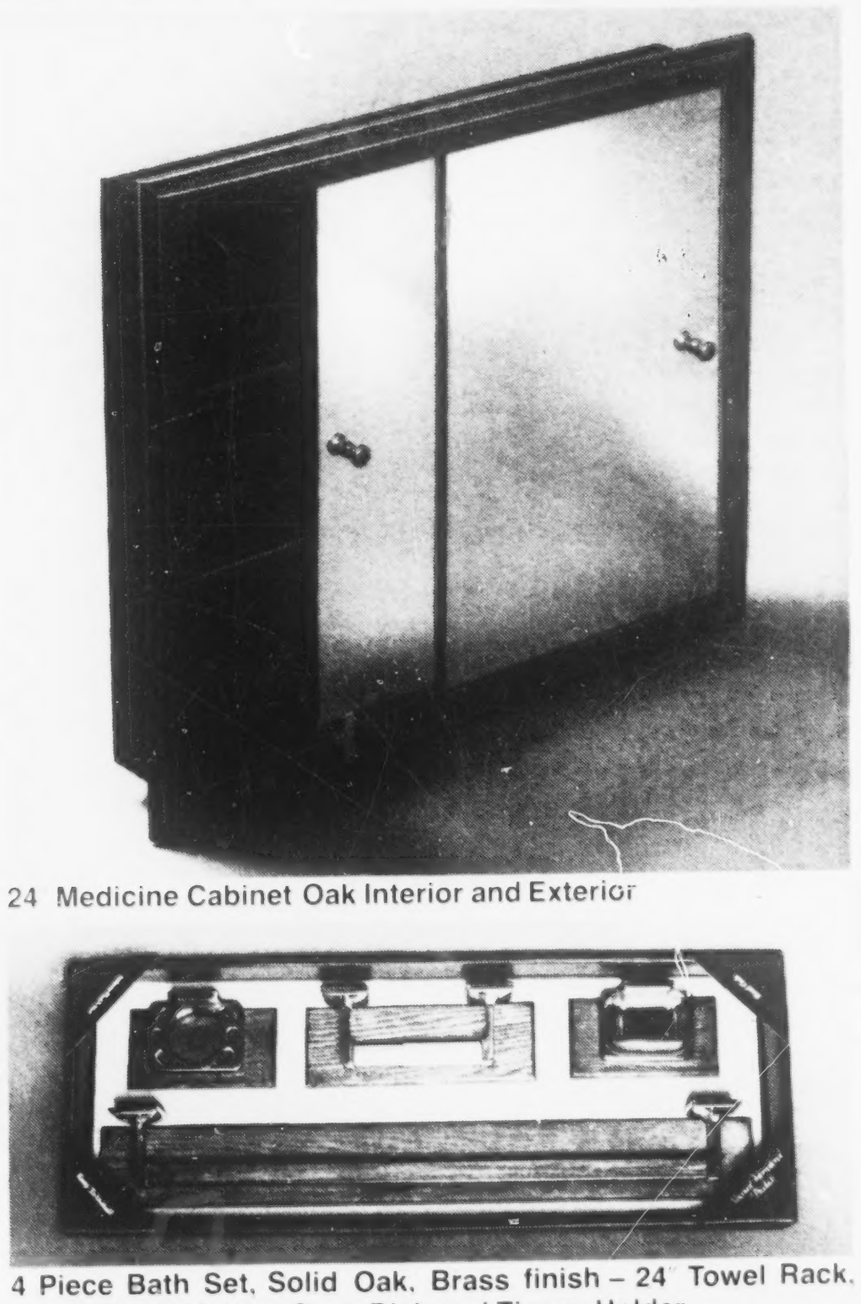

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Why home construction will not hit expectation

(Continued from page 46)

a year during the decade. The Do-It-Yourself Research Institute, meanwhile estimates total home improvement spending will become a $120-billion-a-year industry by the end of the decade, a little less than double its current level.

Secondly, those very investments will offset some of the demand for new homes themselves.

The Housing Frontier

While demand for new homes in this decade may be less sizable than originally thought, it remains vast, nevertheless.

Housing analysts, including Dean Christ, research economist of the National Assn. of Home Builders, and Barbara Alexander, vice president, Smith Barney Harris Upham, concur that the 1980's will still see an average of 1.6 million conventional homes built a year in this decade, compared to 1.79 million units averaged during the 1970's.

Yet one of the most significant, if least appreciated developments emerging from the 1970's, according to Apgar and others, was the shift away from larger to smaller metropolitan areas, and to nonmetropolitan areas. Consider:

- The group of counties that share no common border with an existing metropolitan area, accounted for 40% of all nonmetropolitan growth, according to Apgar. People are no longer just moving from city to suburb, but to the expanding urban fringe, and beyond.
- The population in nonmetropolitan areas rose 14.6% during the 1970's, compared to 11.4% nationally.
- 44% of the nation's more than 3,000 counties—urban and rural—lost population during the 1960's; only 18% of the counties lost population during the 1970's.
- 38.5% of total new home construction, including mobile home placements, went in non SMSA markets between 1975-80—up from 33.6% in the first half of the decade, and 30.1% the decade before.

Single-family homes return

The resurgence in housing this past 15 months has, for the moment, stemmed the acceleration of growth in nonmetropolitan areas, admits Apgar. But the shift in housing activity away from densely settled areas to fringe areas and nonmetropolitan areas will be as important to monitor in the 1980's as the shift from the frostbelt to the Sunbelt, he believes.

One reason is the impact on the type of housing in demand.

One out of every five housing starts in the late 1970's was in the nonmetropolitan South, Apgar pointed out, and 90% of those houses were single-family homes. In central cities in the northeast, single-family dwellings accounted for only 25% of conventional starts.

"Though diminished household size and increased housing cost seemingly point to greater emphasis on high density, multifamily development, continued growth of low density nonmetropolitan areas will certainly moderate and could perhaps even forestall any future declines in single family starts as a share of total new construction," said Apgar. "Indeed, if homebuilders are able to capture any significant share of the low cost, largely nonmetropolitan market now being served by mobile homes, the national share of single family starts could even increase."

Marketing implications

Retailers eying longstanding relations with small builders who are positioned to serve these smaller markets may have reason to rejoice.

But the picture isn't necessarily rosey.

The nation's leading home manufacturers are not only gaining market share by supplying homeowners. Some, like Ryland Group, among others, are reportedly developing their modular home systems to sell to other builders.

Smith Barney's Barbara Alexander points out two reasons:

Many modular houses are indistinguishable now from stick built homes and that is breaking down some of the prejudice against 'mobile home' like houses," she said. "Secondly, the cost of building is often more expensive in these [nonmetropolitan] areas. There is not the economy of scale there that is being achieved today [at modular assembly plants.]"

"Cost advantage doesn't mean a thing though if you don't have a product people want," she admitted. As modular homes gain acceptance, however, a growing number of builders may be willing to forego contracting work, and coordinating a homebuilding project instead of bringing customized modular units to the site.

Retailers still aggressive

Many retailers, though, like Lowe's, Scotty's, Wickes and Wolohan Lumber, among others, are studying new ways to penetrate the builder supply business.

Lowe's, with nearly 240 stores in 19 states, is positioning itself not only to be "a heavy commodity supplier for builders of one home, or 1,000 homes," said Ben Phillips, vp/corporate professional sales, "but to be a much better supplier of interior finishing products."

Not incidentally, though, Lowe's is expected to announce shortly that it will open its first truss assembly plant in Sanford, Fla., within the next 90 days, to better penetrate the Florida building supply market.

Wickes Lumber, meanwhile, is currently in the process of rolling out a computerized home package modification program, in all 224 of its stores this month. Homeowners and builders alike can make changes to the chains 22 basic models, adding a bathroom, or enlarging the garage; a Hewlett-Packard plotter now in Atlanta will retrace the blue prints, and issue a new material list, to be mailed to the branch store, overnight, if necessary.

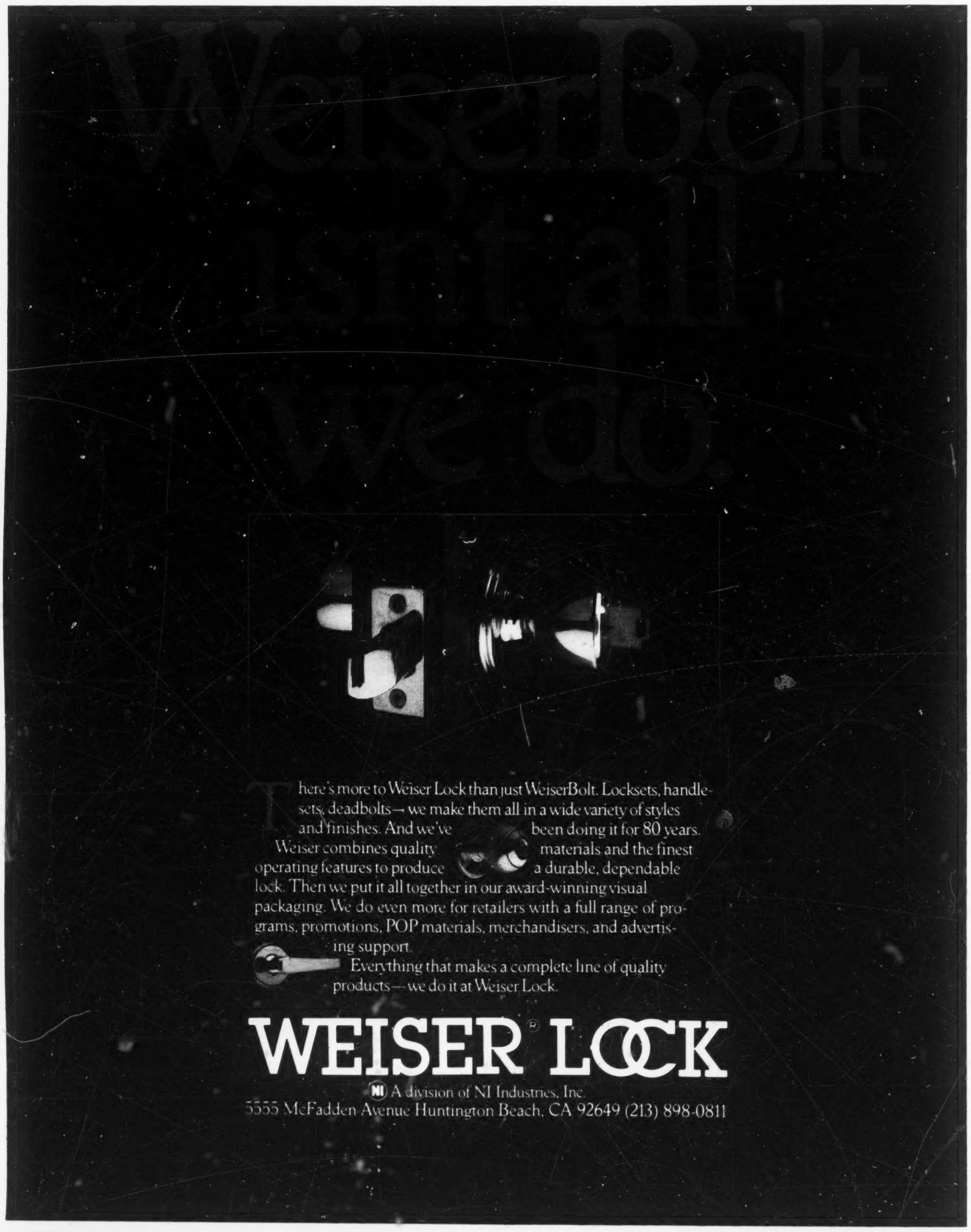
Aftermarket still hot

Clearly, though, while homebuilding will be a vital source of income and opportunity for building material retailers in the 1980's, consensus indicates that the new home market will be smaller in the decade ahead.

How much companies like U.S. Home, Pulte, Ryan, General Homes, Centex, Jim Walter Homes and other homebuilding giants will dominate the market, as some suggest, is still a subject of much debate.

There is virtually no debate, however, that the home repair, remodeling and alteration market can only get larger as the nation's housing stock continues to grow and age. As houses spread into new nonmetropolitan markets, so too will home improvement retailers, such as Scotty's is doing with its new chain of hardware stores (*NHCN*, Feb. 27).

"The big positive," said Barbara Alexander, in looking at the future of the housing industry, "is the number of homes that are now 20 years old in need of major work."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MERCHANDISING

Home center retailers emphasizing gas grills

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT—Home Center retailers will be strengthening their barbecue gas grill category in 1984 with an emphasis on higher ticket merchandise, expanding accessories and using a variety of advertising methods to boost sales.

Paul Blake, lawn and garden buyer for Scotty's Winterhaven, Fla., will be "going for a bigger push this year for higher-end grills in the $250 to $300 range." Last year his best-selling point was $200.

"As the market matures replacement parts like brick and shelves" will be in increasing demand, he added, and plans on extending his accessory range which currently includes gas cylinders.

Tony Blake, purchasing agent for Busy Beaver, the 30-unit chain based in Pittsburgh, finds the midrange gas grill has best-selling point between $129-$169 and sees "customers moving away from the pedestal grill to the cart grill."

Bob Swanson senior merchandising vp at Lowes, North Wilkesboro, N.C., sees gas grills accounting for 70% of all barbecue sales although he stocks four gas grills out of seven stock keeping units. His best price points, he said are around $139, $169 and $199. "We feel that most of the customers buying a second grill, as opposed to a first one, want a better quality product."

Payless Cashways, in an attempt to expand their lawn and garden section will be introducing barbecue equipment for the first time stocking between three to four sku's of gas grills. (Its Lumberjack chain has stocked the grills for several years.)

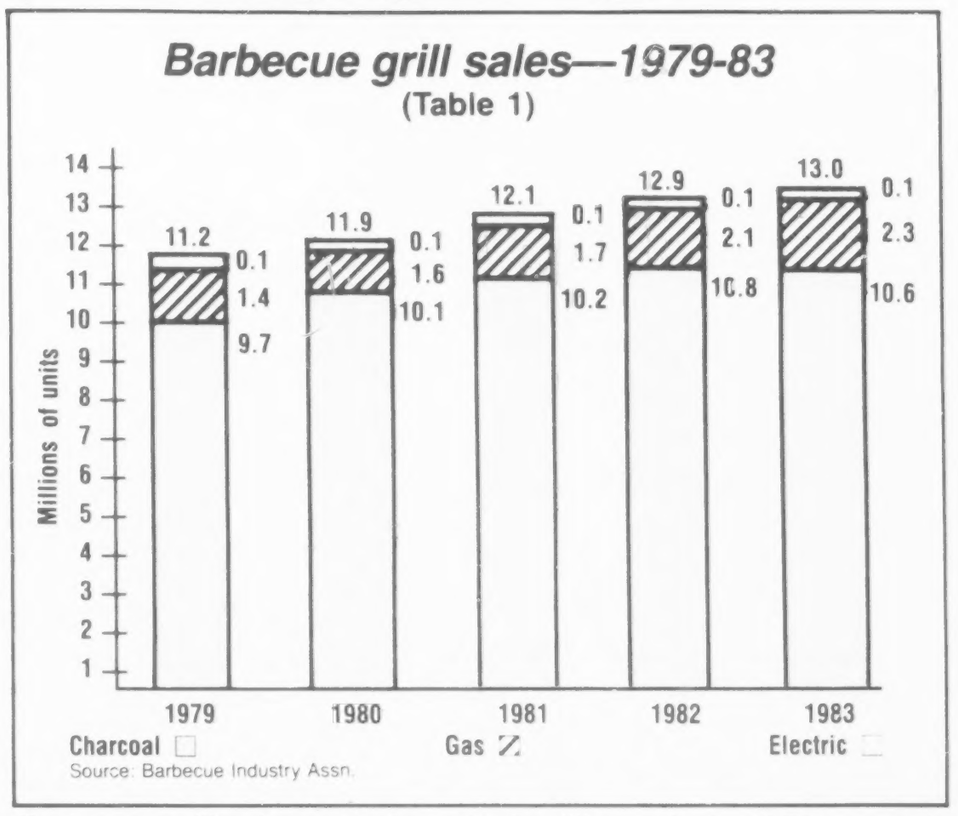
Steve Kolitch president of Kay's independent home center in Lodi, N.J., stocks 16 sku's of gas grills out of a 24 sku barbecue equipment. He finds his best price point also comes in the upper price range at $199.

Buyers are turning to a variety of advertising methods to help barbecue sales. Paul Blake said that Scotty's advertised for 10½ months stopping only between Dec. 15th and Feb. 1st. His advertising opens with a full line of grills and only later in the season does it enter on critical lines.

Lowe's opens their advertising in March with lower price point models and introduces higher ticket models later in the season. Their advertising is done primarily with 12 to 20 page tabs which come out once, twice or three times a month depending on the season, said Bob Swanson.

Lowe's is considering using TV advertising Memorial Day or Fourth of July when barbecue items would be featured along with three other prod-

(Continued on page 67)



Barbecue grill sales grew from 11.2 million units in 1979 to nearly 13 million in 1983.

Lloyd eyes pro/retail biz

(Continued from page 65)

subsidiary in Pennsylvania, because Buchanan units average only 2,500 sq. ft. of sales space and do 65% of their volume with builders.

"We want to get more retail business into Buchanan," Anglin said, however.

Another change at Buchanan this year may be a name change at Lloyd. Buchana is the last of Lloyd's operations not to carry the parent's name. Lloyd officials have already changed the names of their Lundy and Briggs Lumber units in New York and Pennsylvania to Lloyd.

"We'll have to see if that [changing the name] is the logical thing to do at Buchanan," Anglin said. "It would be a big change. The Buchanan name carries a lot of loyalties."

Anglin feels very strongly that Lloyd personnel are the keys to achieving the company's goals.

"At Sherwin-Williams," he said, "I learned that the only way to perform is through the people." As a result, key personnel additions at Lloyd since Anglin came on board have included Alan Sandler as director of personnel and Daniel Viens as training manager.

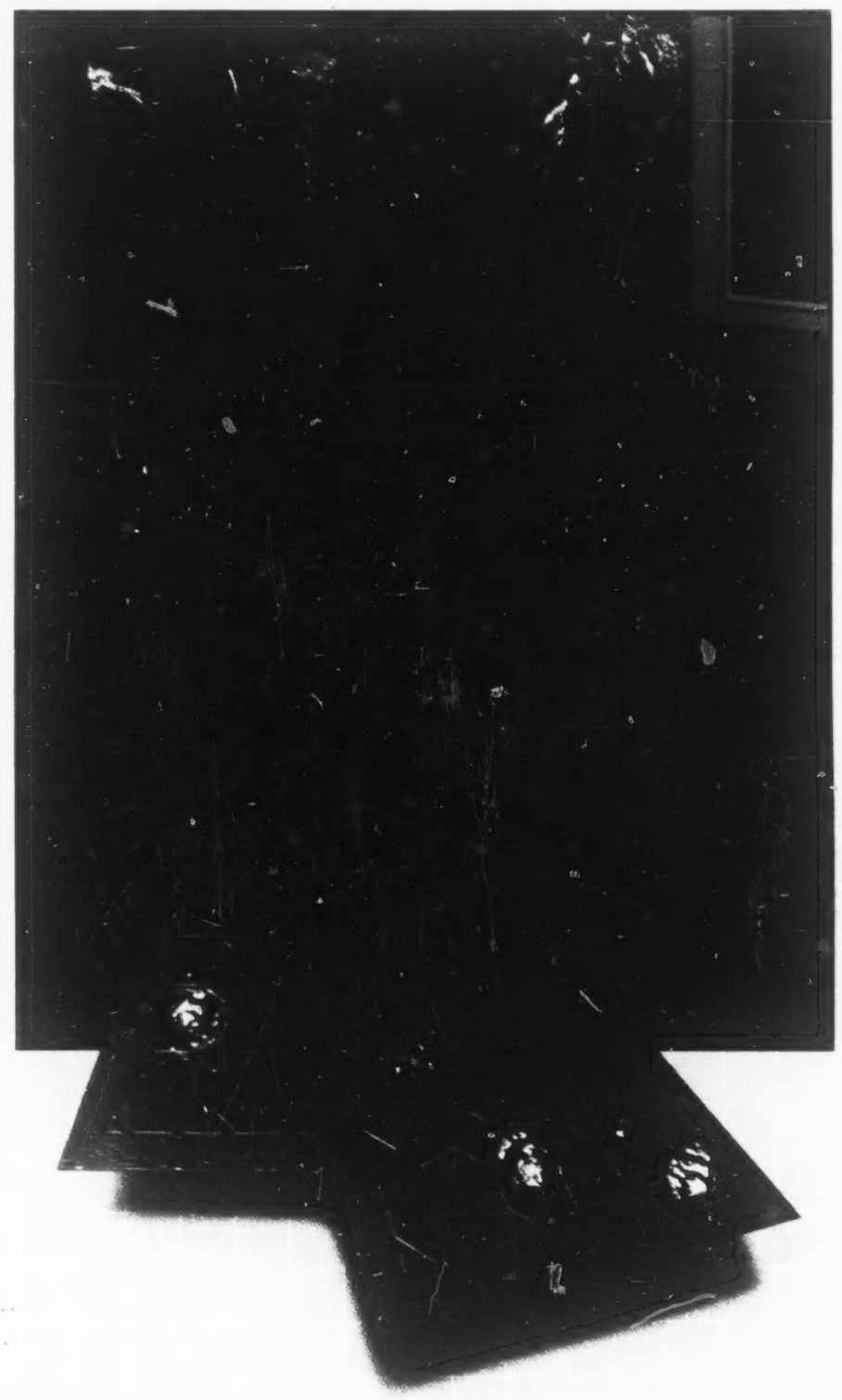
In January, the chain conducted meetings for its managers and assistant managers and throughout the year, Lloyd personnel will continue to receive training in sales and product knowledge as reinforcement, according to Anglin.

"We've had good support from our people," Anglin remarked. "They've done a lot and in the past, they've done things right. We want to give them more support and more expertise to strengthen what they already have."

These 1984 programs should set the stage for growth in terms of expansion next year, according to Anglin.

"We may have a few relocations this year," he said, "but to be a major factor we must expand."

He noted that Lloyd will probably grow in southern Connecticut and southeastern New York State, areas in which it is already familiar.



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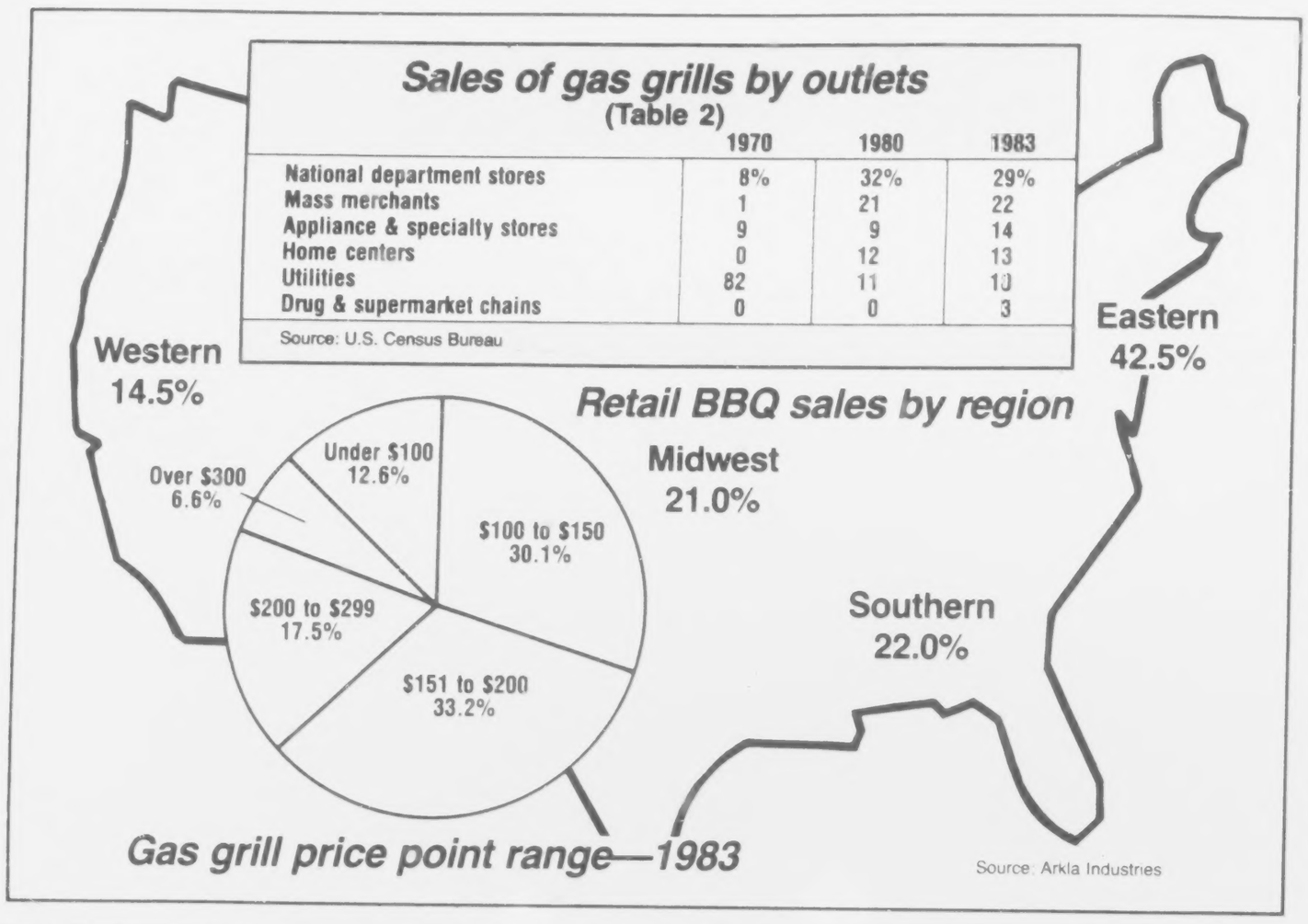

Sales of gas grills by outlets
(Table 2)
1970 1980 1983
National department stores 8% 32% 29%
Mass merchants 1 21 22
Appliance & specialty stores 9 9 14
Home centers 0 12 13
Utilities 82 11 10
Drug & supermarket chains 0 0 3
Source: U.S. Census Bureau
Retail BBQ sales by region
Western 14.5%
Midwest 21.0%
Eastern 42.5%
Southern 22.0%
Over $300 6.6%
Under $100 12.6%
$100 to $150 30.1%
$200 to $299 17.5%
$151 to $200 33.2%
Gas grill price point range—1983
Source: Arkla Industries

Retailers emphasizing higher-end gas grills

(Continued from page 66)

ucts. This campaign would run simultaneously with print advertising.

Don Cohen, president of the specialty store Tool King based in Denver, will also use extensive TV and radio coverage to open his barbecue season from early April to June. The whole line of grills will be advertised from low-end models at $79.95 to high-end models at $239.

Later on in the season the computer will track sales, and advertising will then be geared toward the end which needs it, said Don Cohen.

Last year he sold 1,500 units and hopes to increase this to 2,500 in 1984 in part by reducing all of his prices by 15%, and is increasing his floor space from 100 to 120 sq. ft.

He sees the accessory market growing and will expand this in 1985 to cover rotisseries, side shelves, cookbooks and utensils. This year he will introduce replacement parts to fit any grill. He also offers full service for in-house grills.

All American Home Centers, the independent chain in Downey, Calif., relies on circulars for its main advertising thrust and will begin a three-week promotion of higher ticket sales gas grills along with patio furniture on April 1st. Len Rosenfeld, advertising manager, said that promotions were done in accordance with the dollars that the department means to the store.

Charcoal best selling but gas leads in $ value

NATIONAL REPORT—Barbecue grill sales rose by 0.4% to 12.69 million units in August 1983 from 12.91 million in the previous year, according to the latest estimates from the Barbecue Industry Association.

Charcoal remains the best-selling barbecue grill with 10.6 million units sales in 1983 (see chart one) although sales have dropped by 1.7% from last year's 10.8 million units. However, charcoal grills still control 81.7% of the market by unit sales (chart three).

Gas grills have the fastest-growth rate rising from 2.04 million units sold in 1982 to 2.28 million in 1983, an 11.8% increase. By dollar value gas grill sales continue to be the most important with 61% of the market in 1983 (see chart three).

Electric grills recorded sales of 91,000 units accounting for 0.7% of the market by unit sales and 1.45% of the market by dollars (chart three).

A report on the barbecue market published by Arkla Industries Inc., predicts that gas grills will continue to increase their sales and by 1987 will account for 21.2% of the market, but charcoal will remain the most important with 77%.

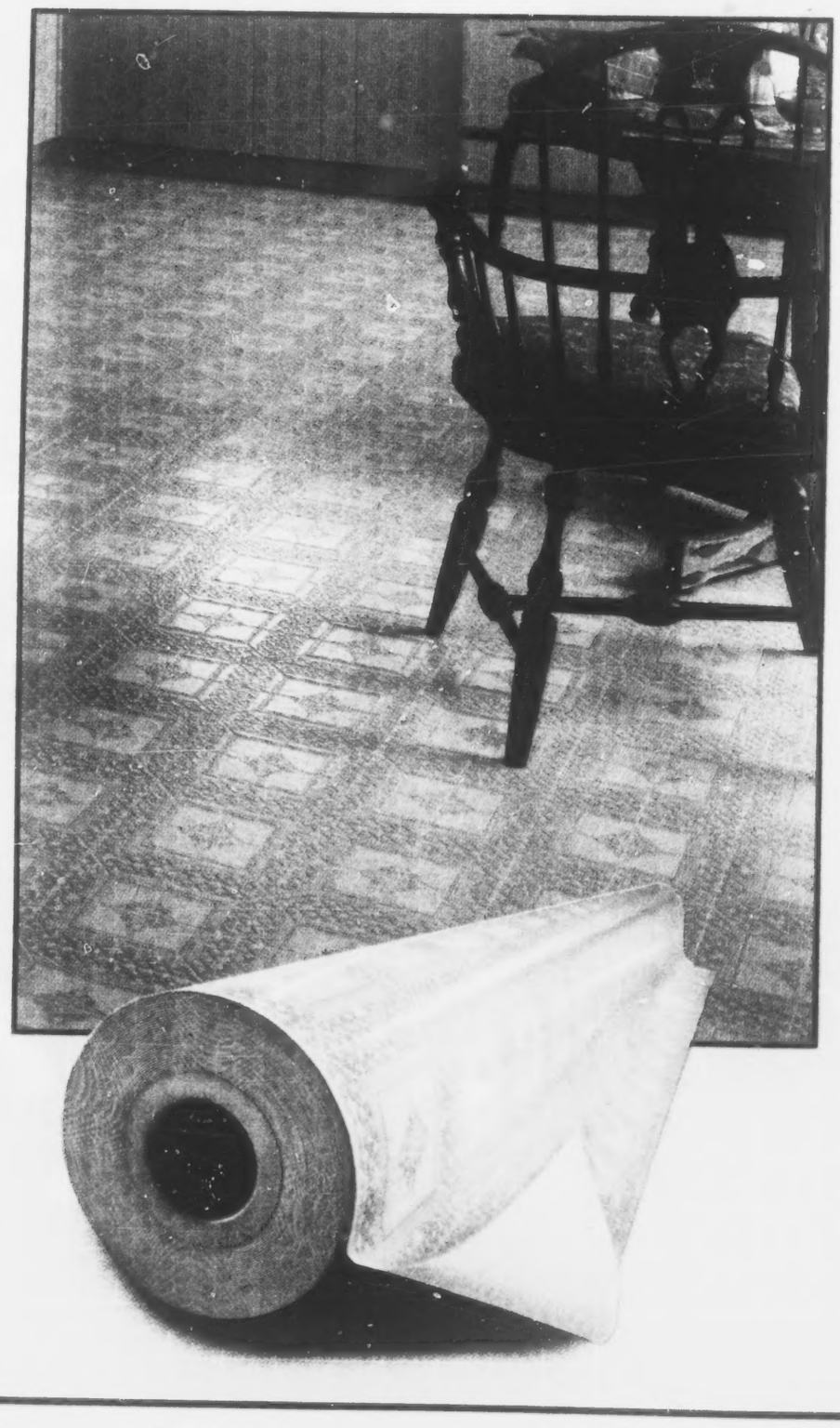
The same report shows that home centers have increased their share of the industrywide retail unit sales of gas grills from 0% in 1970 to 13% in 1983 (see table two). Home centers trailed behind department stores with 29%, mass merchants 22%, they have a rapidly growing competitor in appliance and specialty stores with 14%.

As the accompanying map shows (chart two) the most important market for gas grills in the United States in 1983 was the East recording 43% of all sales in 1983, even though this area contains only 16% of the population. Therefore, approximately one-quarter of the population is buying almost one-half of all gas grills.

The Arkla study also found that the best-selling price point for gas grills was between $151 to $200 with 33.2% of all sales with 30.1% of 1983 sales in the $100 to $150 range (chart two).

So the midprice-point grills were the most popular as were the midsize grills (table five), with 51% of all gas grill sales in 1983 falling in the 326-500-sq.-in. models. This category has been increased its market share from 40% in 1979 at the expense of the standard model (251 to

(Continued on page 68)



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MERCHANDISING

Market share 1983
(Table 3)

	Units (in millions)	% of industry by units	Sales (in millions)	% of industry by sales
Charcoal	10.6	81.7%	$133.1	37.6%
Gas	2.3	17.6	216.1	61.0
Electric	0.7	0.1	5.1	1.5

Source: Barbecue Industry Assn.

In unit sales, charcoal grills dominated the barbecue grill market with nearly 82% of all grills sold being of the charcoal variety. But, in sales volume, total gas grill sals in 1983 were $216.1 million, or 61% of total grill sales.

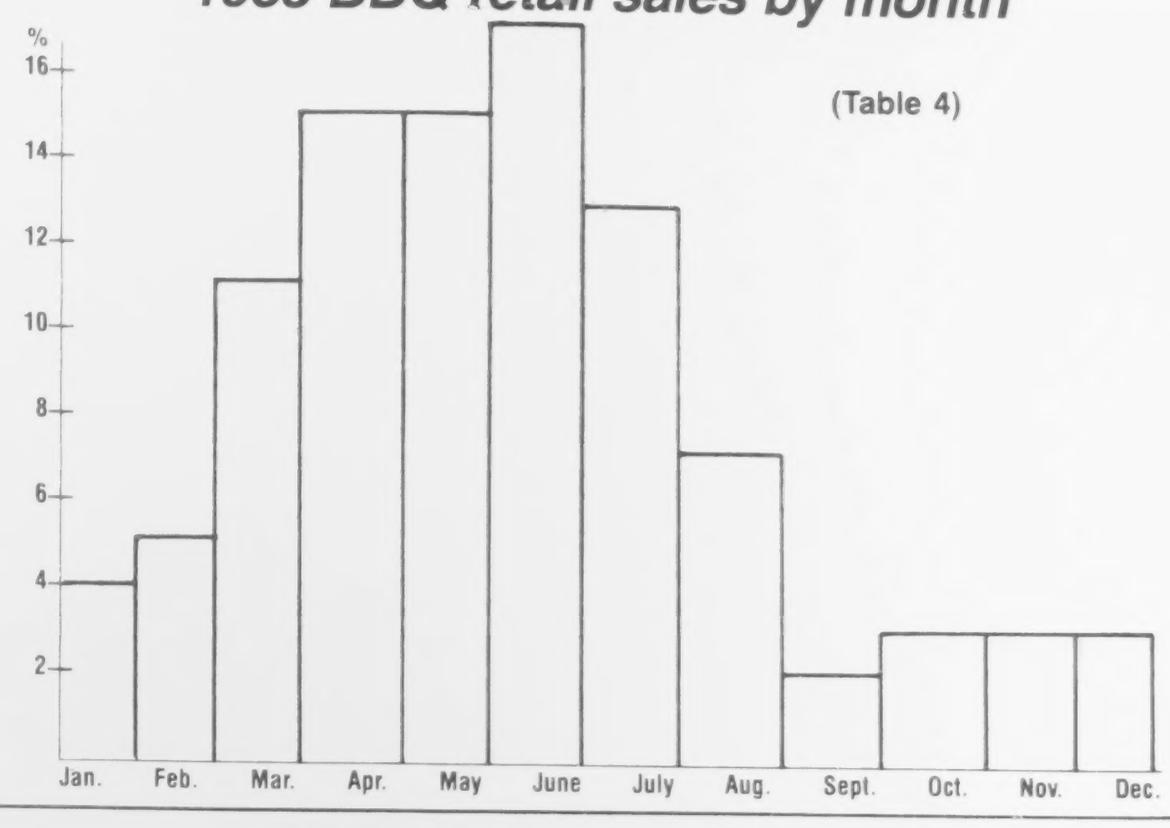
Gas grill sales by size
(Table 5)

	1979	1980	1981	1982	1983
Table Top (carry type)	1%	1%	2%	3%	8%
Small (under 250 sq. in.)	15	9	11	8	8
Standard (251-325 sq. in.)	42	39	38	35	31
Large (326-500 sq. in.)	40	42	45	49	51
X large	2	9	4	5	2

Source: Arkla Industries

Large (326-500 sq. in.) gas grills have seen a steady increase in market share since 1979, at the expense of small (under 250 sq. in.) models.

1983 BBQ retail sales by month
(Table 4)



BBQ retail sales by month

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	5%	8%	11%	17%	14%	16%	13%	5%	2%	3%	3%	3%
1981	4	7	12	15	16	15	14	6	2	2	3	3
1980	5	7	12	18	16	16	9	6	2	1	4	4
1979	1	5	11	17	16	21	17	6	2	1	1	2

Source: Arkla Industries

June was the strongest month of BBQ sales last year, as it was in 1979.

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Charcoal best selling but gas leads in $ sales

(Continued from page 67)

325 sq. in.) which declined from 42% in 1979 to 31% in 1983.

Retailers are expecting an increase in accessory sales in 1984 and the Barbecue Industry Association found that the most important accessory sold in 1983 were rotisseries with 14.5%, followed by lava rock with 12.3% and cleaning brushes with 9.75%.

Major selling months for barbecue grills (chart four) were April, May, June and July recording 60% of total sales in 1983. The worst selling month is consistently September with 2% of total sales.

Since 1970 there has been a major change in the type of fuels used in gas grills, then 89% of all gas grills used natural gas, now in 1983 the position has been reversed with 92% of all gas grill sales being LP gas.

The Barbecue Industry Association sees the grill, accessory and [illegible]briquette industry continuing to expand in the 1980's. In the last year the number of households owning a barbecue grill in the United States rose from 63.1 million or 77% to 65.8 million or 77.3%

Are you breaking ground for a new store, opening one or remodeling a unit?

If so, send us the name of your chain, store location, unit size, date of opening and a black-and-white photo so we can keep the industry informed. Send information to New Stores, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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Upswing in DIY sales to boost future economy

Home center sales are expected to contribute substantially to the growth of the retail market in the United States over the next five years, and a new Management Horizons *study concludes that New England and the Middle Atlantic States could show the strongest per capita retail sales percentage gains over that period.*

COLUMBUS, Onio—Increases in home center sales are projected to contribute substantially towards making retailing one of the primary growth sectors in the United States economy over the next five years.

Two recently published studies conclude that average real sales in home centers from 1983 to 1988 should rise between 6% and 6.5% annually, with the average constant dollar growth in retail sales overall of 3% to 3.5% being slightly above the anticipated yearly growth rate of the Gross National Product.

However, when retail sales growth is evaluated on a per capita basis, the studies' author infers that, contrary to Dept. of Commerce assessments about continued expansion in the Sunbelt, it will be the New England and South Atlantic States that experience the greatest percentage gains.

The two published reports—*Retail Outlook: Fall 1983* and *Retail Forecast: 1983-88*—were released by Management Horizons, a marketing research and consulting firm here.

The most provocative statements made in these studies center around where retail sales growth is expected to take place.

James Newton, the studies' author, told *NHCN* that an evaluation of economic growth cannot be made solely on population expansion, and that by examining a given market's potential on a per capital basis, rather than on absolute retail sales gains, a truer picture of where retail sales are headed can be found.

"For instance, because of all the high-tech business that moved into the area, New England has come through the recent recession as well as any area of the country," he said. Other factors such as anticipated increases in income levels, new housing starts, the stability of a region's economy and, ultimately, how these will impact population growth, were taken into account to show that the South Atlantic market will also manifest the strongest per capita retail sales growth over the next five years, about 3.2% annually.

Many of the Sunbelt and Pacific markets—highly dependent on the energy and defense industries that are variable in their growth rates—will, according to Newton, be less prone to expand as rapidly as they did in the 1970's and early 1980's.

But the highly depressed markets in the Middle Atlantic and East North Central States will, according to the surveys, continue to have their problems and grow under the national annual per capita retail sales growth average of 2.4% through 1988.

Overall retail sales, during this period, will outpace the economy in general, which, according to Newton, is expected to see a real GNP growth averaging about 3% a year. In the short term, 1984 is projected to post favorable growth of between 4% and 4.5%, which will expand slowly in 1985 and 1986 and drop off somewhat in 1987 due to downward cyclical pressures.

"It's true that nobody really knows when the next recession is going to come," Newton conceded. "But, over the past few years, we've had a lot of things hit us at once: the young adult population declined; the world energy crisis and consequent runaway inflation; excess capacity in base industries that

(Continued on page 104)

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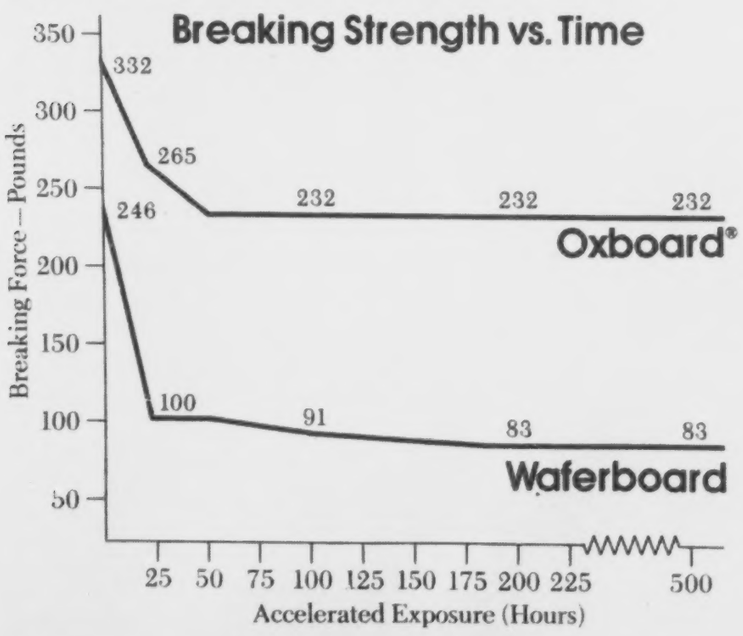

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COMPARATIVE SPANS[1]

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	Max. roof span/no clips	20	NA
7/16"	Sheathing—span index	24/16	24/0
	Max. roof span/no clips	24	16
1/2"	Sheathing—span index	32/16	24/16
	Max. roof span/no clips	28	24
5/8"[2]	Sheathing—span index	40/20	NA
3/4"[2]	Sheathing—span index	48/24	NA

1—Left-hand number is maximum recommended spacing of roof framing in inches. Right-hand number is maximum span between floor joists.
2—5/8" and 3/4" Oxboard panels are APA certified for Sturd-I-Floor applications with the same span ratings as plywood.
3—Values are representative of typical waferboards as taken from the literature of selected waferboard manufacturers. Span capabilities vary by manufacturer.

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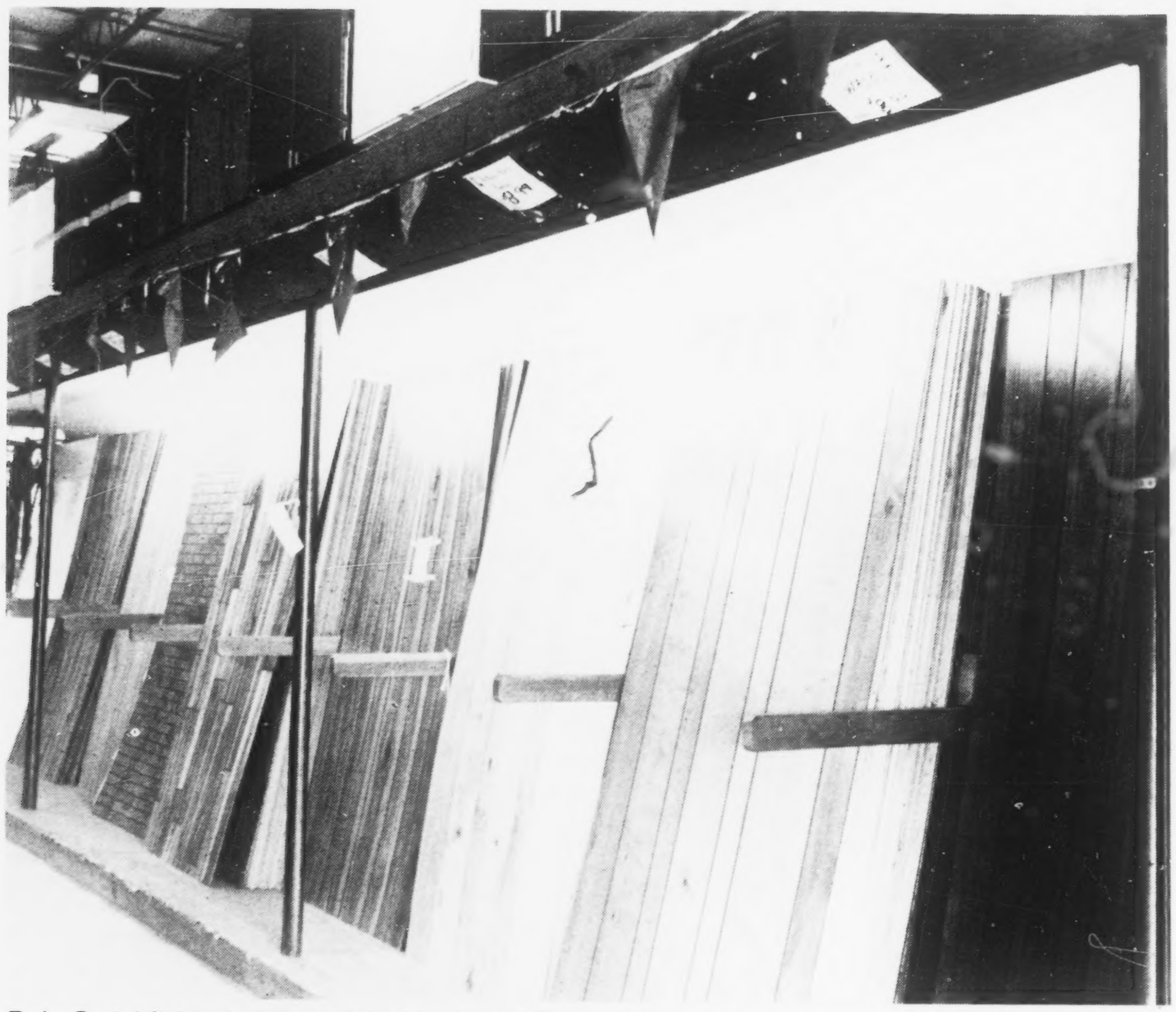

R. L. Crutchfield, chairman of the Hardwood Plywood Manufacturers Assn., has announced that the association expects an adequate supply of prefinished hardwood plywood paneling to meet this year's projection of housing starts. Paneling shown here is at Scotty's unit in Tampa, Fla.

Plywood Assn. forecasts adequate panel supplies

NATIONAL REPORT—The Hardwood Plywood Manufacturers Assn. said it expects an adequate supply of prefinished hardwood plywood paneling for this year's forecast of 1.69 million housing starts and 325,000 manufactured homes.

The announcement came last month from R. L. Crutchfield, the association's chairman. Though Crutchfield gave no estimates on 1983 production levels, he said the industry produced 1.3 billion sq. ft. of prefinished hardwood plywood in 1982. The 1982 figure showed a decline of more than 50% from the 3 billion sq. ft. produced a decade before.

Meanwhile, Crutchfield added that about 75% of the substrate hardwood used in prefinishing in 1982 came from Southeast Asia. He noted a dramatic rise in the number of Indonesian plywood mills since 1981, when there were only 34 operating in that country. The number had risen to 70 mills in 1982 and was expected to reach 119 by the end of 1984. Another 69 mills are expected to emerge by the end of this decade.

Korea has been the main supplier of hardwood plywood to the United States until now.

Crutchfield said demand for prefinished hardwood plywood grew during the recent recession for use in repairing and renovating older homes. Hardwood needs to increase its share of the rehabilitation market, he said.

Upswing in industry sales to improve future economy

(Continued from page 102)

clobbered our export capabilities; unemployment.

"But now, all these things are starting to stabilize and there's been a lot of structured readjustment, making it easier, to some degree, to make predictions about the future."

He added that, while it cannot be asserted categorically that the next recession would occur sometime in 1987, "the realization that a recession will eventually happen is crucial for effective strategic planning."

The studies forecast that, in the short run, inflation will remain relatively modest, with price levels rising between 4.5% and 5.5% during 1983 and 1984.

Over the longer term, though, inflationary pressures should build as the United States moves through its recovery, reaching a peak inflation rate of 7% to 8% during the 1983-98 time frame. At the same time, the nation's unemployment rate will remain extremely high with the rate failing to fall below 7% through 1988.

But in regard to inflation, the retail trade sector will outperform the rest of the economy, with average retail price rises being about one-half of one percentage point lower than that for the GNP "implicit price deflator," according to the studies.

Besides the anticipated increase in home center retail sales volume, other durable goods sectors expected to generate strong growth include consumer electronics and appliance stores (with an average real sales growth of 4.5% to 5%), and furniture and home furnishings (5% to 5.5%). Nondurable goods, on the other hand, are projected to perform below average, with growth between 2% and 2.5% annually.

When's your show?

If home center operators will be attending your show, association convention or special seminar, NHCN wants to know. Send date, location and schedule to: Calendar, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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National
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Vol. 10, No. 7 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | March 26, 1984

Robert L. Strickland, Lowe's chairman (left), kicked off ninth annual National Home Center Show in Chicago with keynote address that included a few friendly barbs aimed at, among others, Payless Cashways' president David Stanley. NHCN photo

Payless Cashways acquires two-unit Somerville Lumber

Deal lifts K.C. chain into $1 bil. club

By John Caulfield
NHCN senior editor

SOMERVILLE, Mass.—Payless Cashways has signed a definitive agreement to purchase two-unit Somerville Lumber, one of the strongest independent companies in the home center industry.

The deal was struck on March 9, and was expected to be closed March 28, according to Somerville co-owner and president Melvin Cohen. Payless officials added that it would be consumated no later than mid-April.

According to the terms of the agreement, 137-unit Payless will buy all Somerville's capital stock and real estate in exchange for 2,120,000 shares of Payless [illegible]

[illegible] the total acquisition price is expected to total $44 million, according to Cohen.

Purchase of the Boston-area independent, with sales last year of $46.7 million and net earnings of $2.9 million, immediately propels Kansas City-based Payless into the industry's $1 billion sales club, along with W. R. Grace and Lowe's.

Payless' sales in 1983, when adjusted to include its acquisition of the 14-unit Prime Home Centers in Denver, which was actually finalized on Jan. 15, were $959.1 million, with earnings hitting $37.9 million.

"The primary catalyst for making this deal work was the great respect we at Payless have for the high degree of professionalism and business acumen the Cohens have," said Payless executive vice president Harlon Seats. "Both David [Stanley, Payless' president] and I have visited Somerville's stores several times and we've come away with a great deal of admiration."

The Somerville deal brings to Payless a company founded in 1956 that has been run for close to 30 years by the Cohen family. Its flagship store in Somerville, with volume of $36 million believed to have the highest sales of any single retail home center in the country, has a 40,000-sq.-ft. showroom, a 36,000-sq.-ft.

(Continued on page 89)

Industry's mood upbeat, brisk business reported at Home Center Show

NHCN staff round-up

Chicago—Retailers and manufactucers were all business at the ninth annual National Home Center Show earlier this month.

Apparently undistracted by the recent tumultuous events that suprised many in the industry just prior to the show—including announcement of Wickes Cos.' Chapter 11 reorganization plan, Payless Cashways' acquisition of Somerville Lumber and the K mart-Hechinger warehouse joint venture—retailers were concentrating more on their own businesses in preparation for what many saw

(Continued on page 89)

Hines to purchase 7 Kindt stores in Wis.

By Greg Puchalski
NHCN senior editor

CHICAGO—Edward Hines Lumber will acquire the seven Kindt home centers in Wisconsin, according to an agreement in principle between the two firms.

The transaction, for an undisclosed price, is slated for closing around April 1 and will give hines 32 stores but its first units outside the Chicago market.

[illegible] position is also the [illegible] Hines since it divested [illegible] of its manufacturing facilities during 1982 and 1983, amassing about $50 million, $23 million used to reduce debt, in the process.

Most of the remainder of the money received from the divestiture has rested in the [illegible] and equivalents" section [illegible] quarter sheet for [illegible] company [illegible] and extensive studies [illegible] how to invest it in its retail and wholesale operations. Those studies are continuing, according to company officials.

On paper, the Hines-Kindt transaction appears to be a good match between two companies that have been headed in similar directions.

Both do approximately half of their sales with consumers, emphasize their lumber and building materials business heavily and have aimed to beef up DIY sales while continuing their builder activity.

Last year when Kindt totaled $40 million in sales, the Lomira, Wis.-based company opened its first consumer-oriented unit, a 22,000-sq.-ft. facility which does about 95% of its business with DIYers, in Menasha, Wis., in a high-traffic location (*NHCN*, March 28, 1983). The store was Kindt's third to feature a race track aisle.

The chain has also been somewhat progressive. The Menasha store makes use of passive solar concepts, a theme for Kindt, in recent years, to its customers. Kindt's home improvement seminars have appeared on the local educational

(Continued on page 89)

Depot nabs beachhead for Calif. assault

Also targets Houston, Jacksonville markets

By Brad Altman
West Coast editor

LOS ANGELES—The Home Depot has secured its first store location for the chain's long-anticipated assault on southern California.

The [illegible] chain has obtained a [illegible] count department store of [illegible] about 75,000 sq. ft. in the Orange County city of Huntington Beach.

"We have sold our interest in the store to Home Depot. They will own the store," Ed Solomon, chairman of Zodys parent HRT Industries, Los Angeles, told *NHCN*. "We have completed the [illegible]

NHCN has also confirmed [illegible] that The Home Depot this year plans to open three to six stores in Houston and two in Jacksonville, Fla.

The Huntington Beach store, located at Golden West Street and Edinger Avenue, is only three miles west of the two-unit Home Life Warehouse chain's [illegible]

[illegible] warehouse comparable [illegible]

Home Depot chairman Bernard Marcus would not comment about the Zodys site. He had previously remarked that the company's California debut would involve more than one store. And industry observers noted that Home Depot executives have been recently scouting other sites. San Diego has been mentioned as a probable market.

Earlier this month, Marcus told a meeting of Los Angeles security analysts that "sometime in the future you can look for The Home Depot in California."

The following [illegible] emerged from that meeting: This year Home Depot may open its first store outside the Sunbelt; the company has applied for listing on the New York Stock Exchange, and two stores are planned for Tucson, Ariz., in the near future, as well as a fourth unit in Phoenix.

The Phoenix outlet will be a

(Continued on page 89)

NEWSBREAKS

OLE'S SPINS OFF WAREHOUSE COMPANY. Ole's is financing the development of a southern California discount chain called, "The Loading Dock" to be run by former Ole's executives. The Monrovia, Calif., venture will be separate from Ole's operations, and is scheduled to open in the fall.

RICKEL WAREHOUSE. Rickel Home Centers, So. Plainfield, N.J., is converting its Warminster, Pa., unit into a warehouse format, a first for the 34-store chain. The company's 1984 four-store expansion will include its first outlets in Maryland, probably in Baltimore.

BE DEBUTS SUPERSTORE. 56-unit Builder Emporium, Irvine, Calif., this month opened its first "superstore," located in an ex-Wickes [illegible]

INSIDE:

PAYLESS CASH [illegible] center industry television ad [illegible] . . . . . Page 3
SCOTTY'S IS COU [illegible] 2-for-1 airfare promo and a trainload insulation [illegible] make March the biggest sales month in company history . . . . . Page 39
WEST BUILDING MATERIALS' newest store is a melting pot of many merchandise and display styles . . . . . Pp. 78-81
MOORE'S UNVEILS ITS 1ST STEP in companywide drive to retrofit existing units into warehouse-type stores . Pp. 82-84

NHCN's *1983 Top 10 DIY chains*

Rank 1983	Rank 1982	Name of chain	DIY Sales (millions) 1983	DIY Sales (millions) 1982	No. of stores 1983	Total Sales 1983	DIY % 1983
1	1	W. R. Grace	$973	$840	286	$1,024	95
2	3	Payless Cashways	821	573	121	864	95
3	2	Evans Products	790	695	345	929	85
4	4	Lowe's	724	569	238	1,431	51
5	5	Wickes	443	440	285	805	55
6	7	Sutherland	426	356	82	473	90
7	6	84 Lumber	390	360	379	650	60
8	8	Hechinger	307	241	41	307	100
9	11	Rickel	275	224	36	275	100
10	9	Scotty's	271	226	105	399	68

Source: *NHCN* preliminary estimates; Payless Cashways, Lowe's, Scotty's are company figures

Payless Cashways' DIY volume leapt 43% in 1983, elevating the Kansas City chain to No. 2 on NHCN*'s preliminary listing of 1983's Top 10 DIY chains. See story, page 2.*

NHCNews Briefs

Industry Update

Belknap fight nearing end

LOUISVILLE, Ky.—The two-month fight for control of hardware wholesaler Belknap Inc. may be nearing an end.

Concord Corp., whose sole shareholder is David A. Jones, chairman of health care company Humana Inc. of Louisville, has made a tender offer of $24 per share for Belknap's remaining 1.4 million common shares that he does not already own. Jones holds 25% of Belknap stock.

Belknap's board of directors has unanimously approved the offer, which expires March 28, and the resulting merger of Concord into Belknap, a spokesman for Belknap's board confirmed.

Jones was making no comment on the matter.

Belknap's board had previously thrown its support behind a bid from its chairman Jerry L. Barton, other company managers and two venture capital firms to take the company private at $20 per common share (*NHCN*, Feb. 27).

However, Clyde W. Engel, who had been Belknap's largest shareholder through his company Telvest of Chicago, offered $22 per common share for the company, and hardware wholesaler Moore Handley made a $17 to $19 per share offering for all Belknap's assets except its Louisville real estate.

The Moore Handley offer was rejected. Jones subsequently bought Engle's 18% share in Belknap.

Belknap serves 12,000 stores, including home centers, in the eastern United States.

Chicago sees 4th Forest City

MORTON GROVE, Ill.—Forest City will open a store in a facility which formerly housed a Handyman here in this Chicago suburb, president Edward Seymour of the Cleveland-based company announced.

The new outlet will be the chain's fourth in the Chicago market and will have a warehouse format, Seymour said. The company is presently converting its three other Chicago stores to the warehouse concept (*NHCN*, March 12).

"All our stores in Chicago henceforth will be warehouse stores," Seymour noted.

Forest City will occupy the 46,000 to 47,000 sq. ft. that Handyman had here as well as an additional adjoining 10,000 to 15,000 sq. ft. of space later this year, according to Seymour.

Handyman exited Morton Grove and Chicago last year (*NHCN*, May 23, 1983).

Wickes plans reward payments

SANTA MONICA, Calif.—A multimillion-dollar program to reward about 190 key employees of Wickes Cos. when the retailer emerges from bankruptcy proceedings is being formulated.

According to Wickes officials, a committee of outside directors is negotiating to establish special awards totaling about $18 million distributed over an unspecified time period to the top company officials.

No members of management are involved in the negotiations for the reward program. It is customary for special renumeration packages to be established for executives who have led companies through chapter 11 proceedings, officials say.

The purpose of the rewards, in part, is to obtain employment agreements to assure that the top-ranking corporate personnel will remain with the company following its emergence from court protection, now expected to occur by late October (*NHCN*, March 12).

Wickes announced in late February that it has reached agreement with its main creditors to settle virtually all of the remaining $1.21 billion in debt the retailer has when it filed for bankruptcy protection in April 1982. Under the plan, creditors will receive a combination of cash, stock and notes in payments for the claims.

National Home Center News

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Vol. 10, No. 7 March 26, 1984

Profitable year for DIY chains spurs shuffling in top 10 ranking

By Greg Puchalski
NHCN senior editor

NATIONAL REPORT—W. R. Grace and Lowe's maintained their No. 1 rankings in terms of DIY sales and total sales, respectively, in the home center industry last year, *NHCN* preliminary estimates revealed.

However, 1983 was a year in which three companies, Payless Cashways, Sutherland Lumber and Rickel Home Centers made advances in the DIY Top 10. Rickel moved up two notches from No. 11 in 1982 to No. 9 in 1983. The Home Depot, ranked No. 20 in 1982, just failed to crack the Top 10.

The 1983 Top 10 chart indicates the growth that most of the DIY industry enjoyed last year as the top companies as a whole had 20% more DIY sales than in 1982. Top 10 volume totaled $5.42 billion.

NHCN will publish the complete Top 100 home center list as well as other pertinent 1983 home center statistics in its annual industry census issue on May 7.

Despite top management changes in Grace's home center division and its absorption into the company's specialty retailing group last year, W. R. Grace, New York, topped DIY retailers with $973 million in consumer volume, up 16% from 1982, to rank No. 1 for the sixth consecutive year.

Grace was also projected as the third company in home center history to surpass $1 billion in annual sales with a 1983 total of $1.024 billion, second only to Lowe's in total volume. The only other home center company to reach $1 billion in volume was Wickes in the late 1970's.

Grace, whose home center holdings include Angels, Cashway, Channel, Handy City, Handy Dan, House Works and Orchard Supply, did 95% of its volume with consumers, down 1% from 1982 because of last year's construction boom, *NHCN* estimated, in 286 stores, 13 more than the previous year.

Payless Cashways, Kansas City, Mo., last year made the most significant DIY volume leap. The 121-store chain ranked second in the DIY ratings with DIY sales of $821 million, up a whopping 43% from the previous year.

Payless jumped over Evans Products, which was more than $100 million ahead of Payless in DIY sales in 1982. However, the 121-store company's phenomenal growth to $864 million in overall volume, fourth highest in that regard, and its 21 more stores, including the seven-unit Lumberjack acquisition, by year-end helped produce the hike.

Despite its troubled parent, Evans' retail group made a 14% gain in DIY volume to $790 million, good for third place. The 345-store chain, which includes Alamo Enterprises, Grossman's, Hubbard & Johnson, Lindsley and Moore's stores, also neared the $1 billion mark

(Continued on page 31)

BMA show sees record orders; $50 million spent in three days

By John Caulfield
NHCN senior editor

ATLANTA—When Bob White came to this year's Builder Marts of America "Independent's Days" buying show here last month, he wasted little time getting into the spirit of the event.

Within a half hour of his arrival, White—a buyer for the eight-store Woodbury & Sons in Glen Falls, N.Y.—had ordered over $60,000 worth of fiberglass insulation from Owens-Corning, and had collected $900 in "spiffs," or rebates, from that vendor, redeemable in cash at the show from BMA.

This level of buying, and these kinds of buying incentives, were typical of the bustling, and sometimes overwhelming activity on the show's two exhibition floors at the Atlanta Hilton on Feb. 28 through March 1. During the 17 hours of the show, dealers placed more than $50 million worth of orders with 160 suppliers, up from $45 million in 1983. (Exact sales were not yet available from BMA.)

Bob White, buyer for Woodbury & Sons in Glen Falls, N.Y., bought nine truckloads of fiberglass insulation at the BMA show in Atlanta late last month.

The show's total attendance was also up about 25% to an estimated 2,500, despite many areas of the country having severe weather problems.

"The attitude among our dealers was higher than ever before, our vendors wrote more orders than at any other of our shows, and we were extremely pleased with the show as a whole," said C. C. Snyder, BMA's director of merchandising who organizes the show for the Greenville, S.C., dealer services group.

The enthusiasm level Snyder referred to was immediately evident from talking with both dealers and vendors on the show's floor, some of whom participate in no other trade show throughout the year.

"There's no question the timing of the show is right for us, especially since we're in the northeast," said White after making his insulation purchase. "And now that we're bigger [Woodbury's bought three Diamond International units last year], the BMA show offers tremendous advantages."

"The BMA show is one of the few we go to where we can actually conduct business," said Jim Brown, assistant sales manager

(Continued on page 90)

Pay 'N Pak rolls out small whse; 3 format sizes planned in future

MODESTO, Calif.—Pay 'N Pak late this month was scheduled to debut its first store featuring the warehouse concept adapted to a smaller unit, according to chairman and ceo David Heerensperger.

The 35,000-sq.-ft. store, one of 21 warehouse-type home centers Pay 'N Pak plans to open this year and next, has a different look from the 56,000-sq.-ft. Pay 'N Pak Home Improvement Warehouse Outlet at the company's headquarters in Kent, Wash.

The outlet here splits its sales floor evenly between 10-ft. high warehouse racks and 7-ft. gondolas with overhead storage shelves for maximum usage efficiency, according to an in-house publication. Heerensperger indicated that the 30,000 to 40,000-sq.-ft. stores introduced as warehouse outlets in the future will follow the Modesto concept.

He noted that a 33,000-sq.-ft. store in Bellevue, Wash., that was set to open this month as a warehouse store in a conversion from a standard Pay 'N Pak, and a 35,000-sq.-ft. unit in Eugene, Ore., which is slated to make the transition from conventional store to warehouse next month, duplicate the Modesto format.

"We'll have 35,000, 50,000 and 75,000-sq.-ft. warehouse stores depending on the property," Heerensperger said. "In the 75,000-sq.-ft. stores, we'll have more lumber."

Meanwhile, the first 75,000-sq.-ft. warehouse unit, the first Pay 'N Pak in Honolulu, Hawaii, will open later this spring under the name of Home Improvement Warehouse Outlet.

Lumber will occupy a third of the unit as the company intends to offer treated and untreated wood, Heerensperger said. Because of an insect problem in Hawaii, 80% of the store's lumber inventory will be treated.

"We'll ship untreated lumber and treat it there [in Hawaii]," Heerensperger said. "Because of this, we'll need greater lead times in terms of delivery and carry a bigger inventory."

Combined with building materials, the lumber and commodity category will occupy about half of the store.

The other half will display Pay 'N Pak's familiar offering of kitchens, baths, plumbing and electricals.

The Hawaiian outlet will feature goods priced lower than at some Pay 'N Pak stores on the mainland.

"We're trying to go with those manufacturers who have a prepaid policy to the islands," Heerensperger said.

The Hawaiian store will follow the basically beige color scheme with earthtone stripes as at other Pay 'N Pak stores, but the traditional striped shirts and smocks of the employees will give way to a beige and orange format in a Hawaiian pattern.

The unit will also have a minimum of 70 employees, 11-ft. high storage racks and concrete floors.

California independent readies bar code system

New price ticket printers due next month

By Phillip M. Perry
NHCN associate editor

DOWNEY, Calif.—All American Home Center, the $25 million independent, plans to begin printing its own bar coded price tickets in mid-April as part of a program to track inventory movement by item in order to improve buying patterns and reduce inventory.

"The bar coded tickets will also help us improve the levels of accuracy and efficiency at our point-of-sale (POS) terminals," said Greg Fuller, assistant merchandise manager at the store, which celebrated its 25th anniversary this month.

The human errors that occur when cashiers manually enter numbers onto their cash registers will be avoided, and automatic laser-beam reading of price tickets will allow customers to move much faster through checkouts, he said.

All American, which expects to receive delivery of two bar code ticket printers early next month, plans to position them in the receiving area so that merchandise can be ticketed before it moves to the sales floor.

Over the next six months, the store plans to enter 50,000 of its 65,000 stock keeping units onto the software that has been programmed especially for the store and has been built into the printers. The 50,000 sku's represent merchandise making up some 70% of store volume. The remaining 15,000 sku's represent items such as lumber, nails, fasteners, nursery items, sack goods and building supplies to which bar coded tickets cannot easily be attached. These items will be entered manually at checkouts.

Because the new tickets will allow the store to track movement by sku rather than by the 18 departments for which it has tracked movement in the past, store management will be able to decrease the inventory levels of slower moving items and increase the levels of faster moving ones so that overall turns increase. Fuller expects to add a full turn to the four turns that the store experienced last year.

Additionally, Fuller expects that the accuracy of pricing available with the automatic ticket printing system will increase store gross margin by 1 to 2 percentage points.

Although All American management would not release the total cost for the new system, Fuller did indicate that he expected the system to pay for itself in three to four years.

Fuller plans to monitor the performance of the new bar code scanning system, and make corrections to ticketing, over the course of the first year.

The new ticketing system will work in the following manner. As merchandise enters the receiving door, items will be counted manually to insure that quantities match those listed on packing tickets.

An employee at a Wang computer terminal will then enter the quantity as well as the purchase order number for each delivery that has been received. No other information need be entered into the terminal.

This information will then be transmitted over a wire to the main Wang terminal which is located in the front office. The computer processes the information, determines the ticket price by an expected gross margin, and communicates directly with a Printronix ticket printer, which is located in the receiving

(Continued on page 4)

Lumbermen's president Larry Knudson said the Lanoga-owned chain plans to open seven stores in the Seattle, Puget Sound and Portland areas over the next three years to bring Lumbermen's store count to 21. NHCN photo

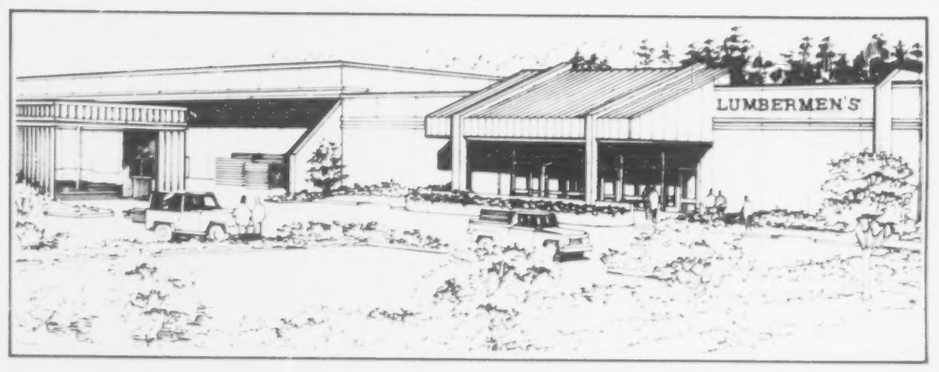
Lumbermen's hastens expansion to dominate in Seattle, Portland

REDMOND, Wash.—Lumbermen's opened its largest store to date here earlier this month, in a new drive to increase its dominance in the Greater Seattle and Portland, Ore., Areas.

The chain plans to open a still larger store in Clackamas, Ore., this June, according to Larry Knudsen, president.

Over the next three years, Lumbermen's expects to open an additional six stores, all in the Greater Seattle, Puget Sound, and Portland Areas. This construction will bring the chain's store count to 21.

Accelerated expansion is a recent phenomenon for Lumbermen's. In February of last year, the chain purchased the eight retail units of Williamette Industries, bringing its total store count to 13 (*NHCN*, Jan. 31, 1983).



Artist's rendering of new Redmond, Wash., Lumbermen's unit—the chain's largest with 20,000 sq. ft. of display space. Courtesy of Lumbermen's

Established in 1965 with two stores, the chain had long remained a slowly growing, privately held company when its five stores were purchased by Lanoga in March 1982 (*NHCN*, March 29, 1982).

The new Redmond store, with a display area of 20,000 sq. ft., plus a 10,000-sq.-ft. warehouse, is larger than traditional Lumbermen's outlets, which have, on the average, from 6,000 to 10,000 sq. ft. of display space plus an equal amount of warehousing.

Previously, the chain's largest store was the Olympia,

(Continued on page 90)

New report forecasts:

$70.8B home improvement arena in '85; home centers to dominate

NEW YORK—Sales of home improvement products are expected to increase by 140% by the end of the decade, compared to a 94% growth in total retail sales, according to a new study by Frost and Sullivan, the research group based here.

Retail sales of hardware, lumber and building materials, estimated at $48.2 billion last year, should reach $70.8 billion next year and $115.7 billion by 1990, according to the new report, titled Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.

Spending on residential alteration next year is expected to reach $18 million, which, in constant dollars, will be the first gain since 1979, according to the report.

Frost and Sullivan predicts a 14% gain in alteration and repair spending this year, making it "the best of the past two decades."

Home centers will benefit most from this surge in business compared to the static condition of contractor-oriented outlets and the moderate growth for hardware stores that the study foresees.

"Home centers will sharply increase their domination of the industry," the study notes.

However, it adds, "We do not believe that this will become a concentrated industry. Particularly through the growth of cooperative buying groups, independents have remained strong and are expected to remain strong in the future."

Using annual reports and *NHCN* numbers, the study calculates that between 1971 and 1982 home center sales grew 88%, in constant 1966 dollars, while contractor yard sales declined 33%.

Home Center market share of lumber and wood product sales is expected to grow substantially in comparison to projected sales gains of hardware stores and contractor-oriented outlets. *Story, page 14*

The recently released, two-volume report explores how the strong sales growth it predicts will be manifested by 40 different product categories from dimensional lumber, which will account for 12% of overall growth, to cordage and twine.

Dimensional lumber and six other categories—builders hardware, paint and allied products, electrical supplies, hand tools, millwork and softwood plywood—will account for 54% of the sales growth.

Using percentages, the fastest growing categories are laminated plastics (225%), kitchen cabinets (205.1%) and paneling and hardboard (200.7%). While home centers are expected to gain market share in kitchen cabinet sales, specialty contractors are expected to continue their domination.

The study also determined that six factors are of overwhelming importance to the buyer when purchasing products in these categories.

The factors, in order of importance to buyers, are: estimated gross profit; pricing to the consumer; inventory turns; gross margin return on investment; actual consumer requests and the buyer's personal judgment.

Less important factors include display materials, packaging, co-op advertising, and manufacturer consumer research.

The study also documents demographic, economic and sociological reasons why strong DIY growth is expected.

The Baby-boom generation is in its family-formation years, expanding the size of that prime DIY customer group. Home prices continue to move upward, fueling homeowner interest in remodeling rather than moving. And the cost of contractor labor is rising about 3% to 4% faster per year than the cost of commodities.

The latter trend shows no sign of abating. Using 1967 as a base year with an index of 100, by 1990 the commodity price index is expected to reach 353.2, while the service index soars to 535.2.

1983's top TV ad spenders

Rank	Chain	Market	Advertising expenditures 1983	1982	% Change
1.	Payless Cashways	multimarket	$5,551,600	$1,737,200	+ 220
	Payless	multimarket	3,122,800	832,300	+ 275
	Furrow	multimarket	1,802,000	470,500	+ 283
	Lumberjack	Sacramento, Fresno, Calif.	626,800	434,400	+ 44
2.	Sutherland Lumber	multimarket	2,847,700	1,687,400	+ 69
3.	Home Depot	multimarket	2,507,000	903,900	+ 177
4.	Builders Emporium	Los Angeles	2,342,900	2,471,900	– 5
5.	National Lumber	Los Angeles	1,686,400	1,381,500	+ 22
6.	Lowe's Co.	multimarket	1,469,300	943,700	+ 56
7.	Plywood Minnesota	multimarket	1,182,100	1,019,600	+ 16
8.	Scotty's	multimarket	1,169,600	127,800	+ 815
9.	Ole's Home Centers	Los Angeles	923,600	963,700	– 4
10.	Hechinger	multimarket	900,200	983,600	– 8
11.	Mr. Goodbuys	Baltimore, Philadelphia	816,700	569,400	+ 43
12.	Pay 'N Pak	multimarket	799,600	591,400	+ 35
13.	Angel's	Los Angeles, Phoenix	614,000	22,800	+ 2,593
14.	Menard Cashway	multimarket	608,300	498,800	+ 22
15.	Scott's Lumber	multimarket	566,000	23,400	+ 142

Source: Television Bureau of Advertising from Broadcast Advertisers Report data; *NHCN* chart

Payless paces DIY chains in '83 TV ad expenditures

Angels raises stake 2,593%

NEW YORK—Payless Cashways emerged as the dominant television advertising chain in 1983, having spent nearly one quarter of the $23.9 million allocated to TV promotions by the top 15 advertisers in the home center industry.

That total represented more than a 72% increase over what these chains spent on television in 1982, according to the annual list compiled by the Television Bureau of Advertising from Broadcast Advertisers Reports data.

In this year's tabulation, remarkable gains were also shown by Scotty's, The Home Depot and, surprisingly, Angels, while chains like Hechinger Co., Ole's Home Centers and Builders Emporium pulled

(Continued on page 90)

Push button profit

Stock rolls to the ceiling, and squeeze more profit out of each cubic foot of space.

Tarkett's new Floorsystem automated roll racks show your customers you're serious about the DIY sheet flooring business: more patterns, colors, and price points. Choose from 16, 21, or 25 roll capacity models. Ask your Tarkett representative for details.

Tarkett
The world's most experienced flooring company

Independent readies bar codes

(Continued from page 3)

area.

The Printronix machine automatically prints tickets that contain the following information: a human-readable price automatically based on cost and desired margin; human-readable sku number and the bar code. These tickets, which come 100 to a sheet, will be preprinted with the store name.

At the 22 POS terminals, which are DTS registers that All American expected to have delivered to its store in mid-March, cashiers will read the bar codes using a laser gun.

At the end of each day, the main Wang computer will poll each of the POS terminals so that a report of sales by item will be available to store management.

"The new POS terminals will also print word descriptions of each item purchased on each receipt," said Fuller. "This will further our security effort when customers return merchandise later for refunds."

Additionally, the new registers will display an eight-character read-out description of each item passing under the laser gun.

Fuller examined offerings from a dozen ticket printer vendors over the course of four to five months.

"Other systems tried to be all things to all people," said Fuller, when explaining his decision. Other printers were priced higher because they were able to produce some 30 different styles of bar codes, while the Printronix model selected by Fuller produces a more limited variety, which is all that the store required.

All American spent as much time investigating the various styles of bar codes in use as it did looking at printers. Of the 34 to 36 styles in use, Fuller selected one called Interleaved because its "extreme density meant the price tags wouldn't have to be too wide."

The Interleaved style allows a series of bars representing these six digits (each digit requires five bars and spaces) to be printed so it fits easily on a label which measures 1 in. in width.

Fuller rejected the use of OCR (Optical Character Reader) systems because of reports that some retailers had trouble getting accurate and dependable performance from such systems.

Additionally, although Fuller expects the UPC style of bar code will become the dominant one in the home center industry, he rejected using it for the time being because it would require the use of a label wider than that desired by the store.

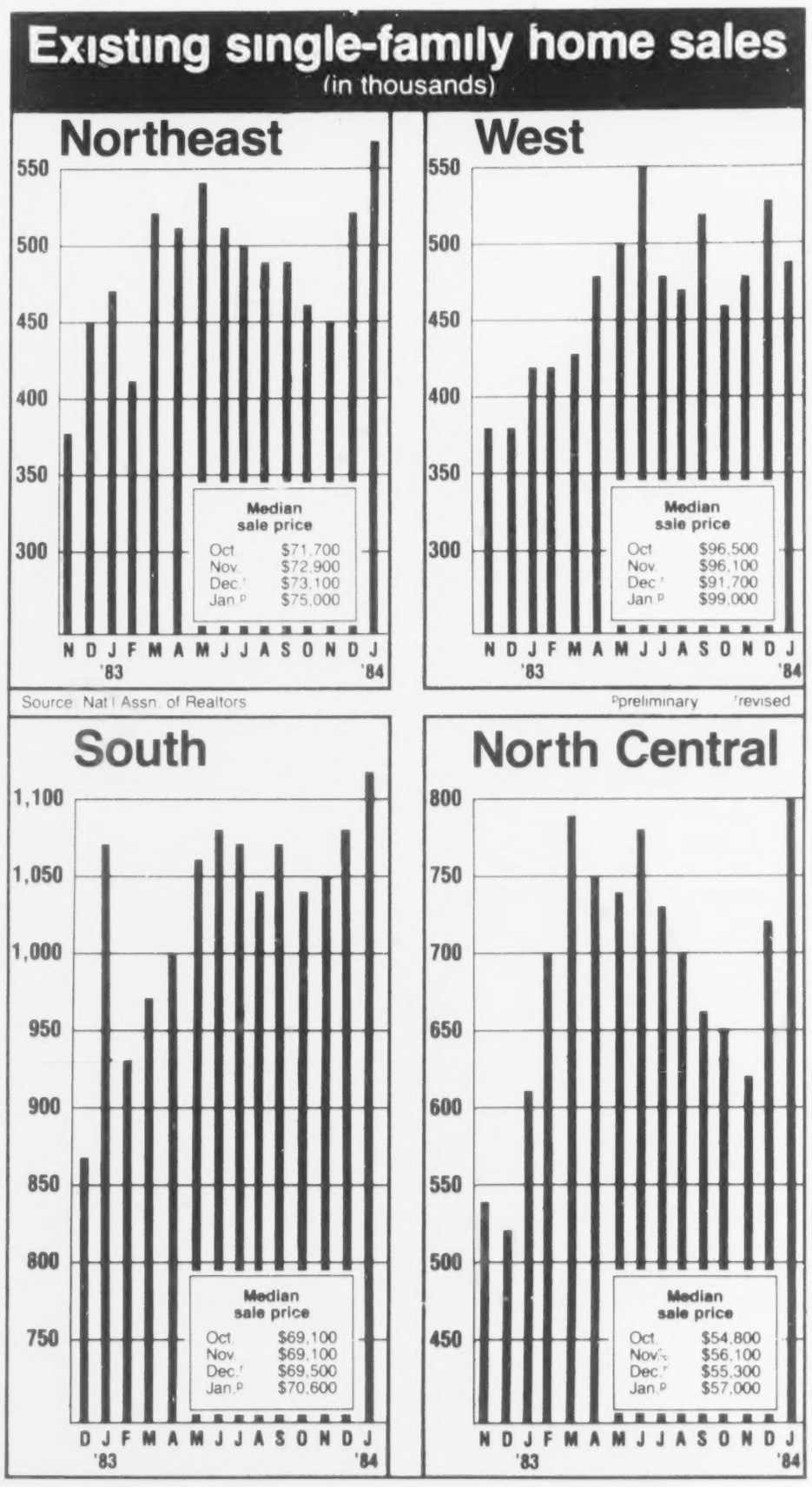
However, Fuller has left his options open because the Printronix equipment is able to print UPC bar codes. This will allow the store to shift over to that style in the future if it becomes necessary.

By early March, Fuller had narrowed down his choices of vendors for laser-guns to be used by cashiers reading the bar codes. "We will be going with one of the newer styles of guns that have the capability of automatically discriminating as to the type of bar code on the ticket," he explained. Thus, if one item passes through the checkout with a bar code other than the All American one, the gun will be able to read it.

Corrections

The March 12 story, "BMA takes breather to buttress dealer services," incorrectly listed Builder Marts of America as the nation's fifth-largest buying group. It is actually sixth, behind Lumberman's Merchandising, Wayne, Pa., which had sales last year exceeding $457 million from 185 dealers operating 525 units. In an accompanying story on BMA's home package program, the company has amended initial figures to show that 650 dealers operating 1,400 stores are serviced by BMA.

The Customs Service estimates that the market for counterfeit goods in 1983 was $16 billion. The figure was incorrectly stated in a March 12 article.



Source: Nat'l Assn. of Realtors

pPreliminary rRevised

Existing home sales in January reached their highest rate since November 1980 as 2.99 million units (seasonally adjusted) changed hands. The North Central, Northeast and South regions all experienced an increase. (Existing home sales leaped 37.2% during 1983. See story, page 72.)

Nationally, the median sales price for single-family homes rose by $2,000 from December to January, to $71,900. House prices rose significantly in all four regions.

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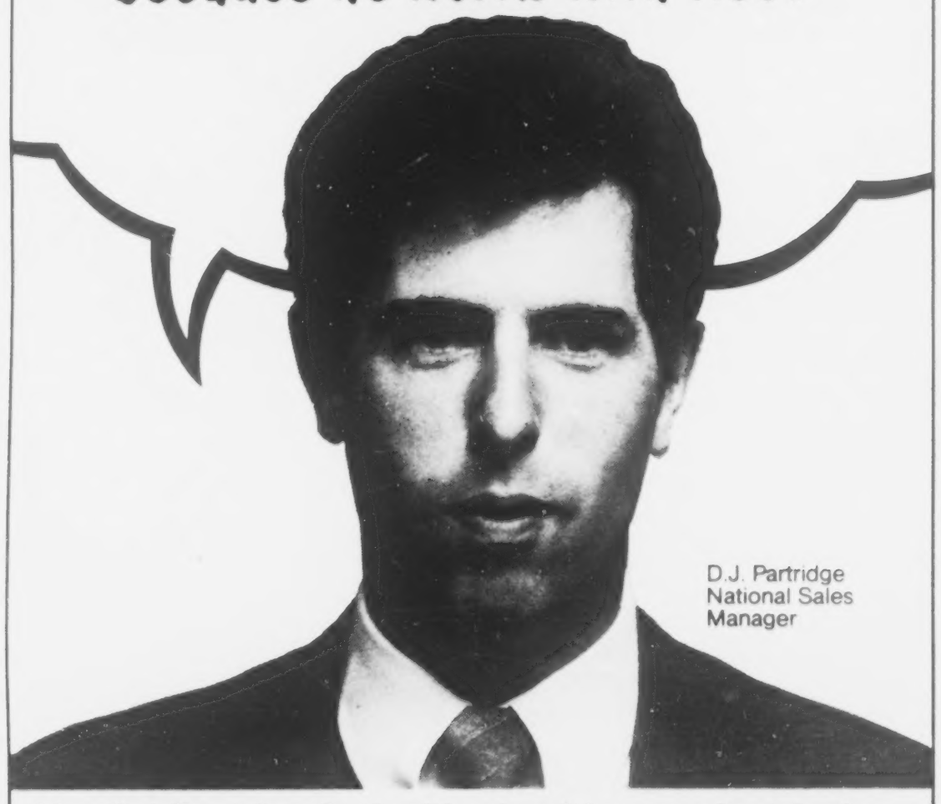

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National Sales Manager

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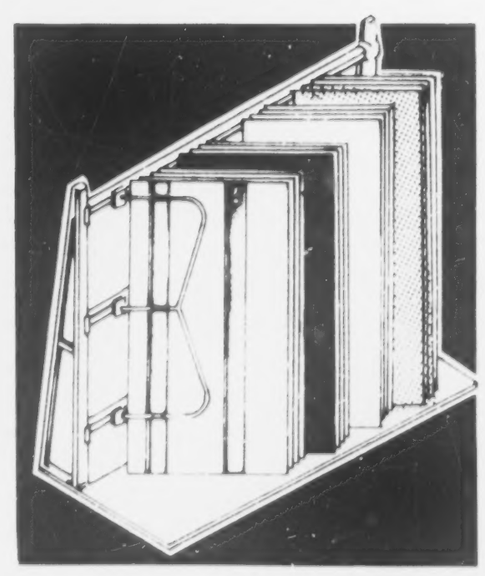

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	2/29-1 mo.	$ 24,300	$ 17,700	37	—	—	—
Lowe's	1/31-4th qtr. 1/31-Year	331,026 1,430,576	250,069 1,034,032	32 38	$ 9,514 50,615	$ 5,365 25,131	77 101
Pay 'n Save	1/28-4th qtr. 1/28-Year	362,443 1,220,521	318,751 1,091,287	14 12	10,814 30,104	9,262 19,593	17 54
Scotty's	2/25-4 wks.	34,190	28,665	19	—	—	—
Wolohan Lumber	12/31-4th qtr. 12/31-Year	28,421 112,358	24,964 89,178	14 26	202 1,348	211 638	- 4 111

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 3/8	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		38¼	47⅛	34½	20
Edison Bros. Stores (NYSE) [Handyman, Homer's]		37½	46¼	34⅛	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		6½	19½	6⅛	—
Forest City (AMEX)	A	15⅛	20⅛	9⅝	11
	B	—	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		38¼	50⅜	38⅛	12
Lowe's (NYSE)		19¾	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		6¼	14	4⅝	—
Pay 'N Pak (NYSE)		13¾	24	14⅜	12
Payless Cashways (NYSE) [Furrow]		18¾	34½	18⅜	15
Scotty's (NYSE)		14½	20	14	13
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		17¾	18⅜	12⅛	—
Standard Brands Paint (NYSE)		19	28¾	18	11

Nasdaq—over-the-counter stocks

		As of 3/8	52-week High	52-week Low	P/E Ratio
Color Tile		16⅝	27¼	13⅜	—
Hechinger	A	16	24¼	15	—
	B	16¼	26½	14½	—
The Home Depot		15¼	31¾	14	—
Pay 'n Save		19½	29¼	17½	—

Over-the-counter stocks

	As of 3/8 Bid	As of 3/8 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	23½	25	25¼	15½
Hines Lumber	34½	35½	41½	19
Home Centers of America [units]	20½	23	51½	13¼
Homecrafters Warehouse	13¼	13¾	17½	14
National Lumber	8¾	9¼	13¼	8¾
Scotts Seaboard [Scott's]	3¼	4	⅞	5
Wolohan Lumber	5½	5⅝	10⅛	4⅞

"Polyseamseal paid off two ways for us."

Richard T. Ryan
Lumber Department Merchandiser
Ernst Home Center

"We were skeptical when we put two Polyseamseal gondolas in all of our stores—but right off the bat the gondolas made it easier for us to sell caulk. Not only did our sales of Polyseamseal increase; we actually increased profits in the overall caulk department. Something we didn't expect to happen."

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FINANCIAL NEWS

Lowe's more than doubles net earnings in fiscal '83

NORTH WILKESBORO, N.C.—Lowe's more than doubled its net earnings while sales increased 38% during its fiscal year ended Jan. 31, company officials reported.

The 238-store chain saw earnings increase 101% to $50.6 million on sales of $1,430,576,000—the second straight year the company has surpassed $1 billion in total sales.

Officials attributed the earnings rise, in part, to improved sales to both consumers and contractors. Sales to professionals rose 53% to $706.7 million while consumer volume increased 27% to $723.9 million, 50.6% of total sales, compared to year-ago figures.

Rising trend

In fiscal 1982, Lowe's sales mix was slanted more heavily to the DIYer who claimed 55% of business, but officials pointed out that fiscal 1983 was the third consecutive year in which consumer volume outpaced contractor sales and the first time it has occurred in a new-home-construction boom.

Lowe's earnings also benefited from continuing cost controls and margin improvement, they noted.

Gross margins in the fourth quarter improved from 25.34% a year ago to 25.77% in the period just ended to give the company its highest quarterly margins ever on a first-in, first-out (FIFO) accounting basis. The gain helped push the annual gross margin up from 25.4% in fiscal 1982 to 25.5% in fiscal 1983, according to company officials.

The chain's year-end inventories rose 22% to $205.1 million, caused by increased customer demand and the opening or reopening of larger stores. Lowe's added about 200,000 sq. ft. of selling space to existing units last year, to help bring its total retail space to more than 2.5 million sq. ft., officials said.

The company opened five stores and closed two during the year.

Related to expenses for the year, the chain's last-in, first-out (LIFO) charge totaled $5.7 million, the highest in three years, compared to $1.6 million in fiscal 1982. The company also increased its contribution to its employee stock ownership plan from 12½% of eligible compensation in a weaker economy last year to 15% this past year.

Lowe's officials also pointed out that the only significant product inflation during the year was in basic building materials and there was actual deflation in entertainment, recreation and garden products.

During the fourth quarter, Lowe's earnings rose 77% to $9.5 million on a sales gain of 32% to $331 million as an improving economy, generally lower levels of inflation and new housing starts continued to affect the chain favorably, officials related.

Sales up

Sales to professionals in the quarter rose 35% while those to consumers jumped 29% from the previous year to give the DIY sector 50.15% of the total volume, they said.

During the five-week period ended Jan. 27, sales were up 21% to $102.3 million.

The January increase in overall sales and a 15% rise in builder volume were the smallest rises for the chain since January 1983 when Lowe's recorded 16% and 8% gains, respectively, in the categories. However, like this year, the January declines a year ago followed impressive sales increases in the previous months.

Industry PACs map strategy for '84 election

WASHINGTON—With the election year heating up, the home center industry is opening its political action coffers to fund candidates sympathetic to the cause.

While it may be unusual for an individual home center chain to be politically active, parent companies of some of the industry's operators fund political action committees (PACs).

And major trade associations related to housing and the forest products industry also devote their muscle and money to electing candidates whose views they support. (See related story *on page 19*)

The PACs of companies like Boise Cascade, Union Camp, W. R. Grace and Weyerhaeuser have doled out $106,100 to Senate and House candidates since the last elections. In the 1982 elections the organizations amassed a campaign warchest of $500,000.

At the same time, the National Assn. of Home Builders has $600,000 to spend on this year's political races. Its PAC collected $1.3 million for the 1982 Congressional races.

PAC information regarding companies and trade associations was obtained by *NHCN* from reports on file with the Federal Election Commission.

It is not clear from those records how much of a company's contributions are motivated by the recipient's stand on retailing or home center-related issues. Indeed, since the companies involved also have interests in other businesses, campaign contributions could be prompted by reasons unrelated to the home center industry.

Through December 1983, the PACs of companies with home center interests made 169 contributions to 110 House and Senate candidates, with Republicans receiving 66% of the funds.

While contributions ranged in size from $100 to $6,500, Republicans generally received the larger donations. The average payment to G.O.P. candidates was $794 compared to $442 for Democrats.

During the last Federal elections home center industry political fund raisers also tilted more heavily toward G.O.P. candidates, with Republicans receiving 74% of the money spent by the PACs.

Just as in the 1982 campaigns, candidates running for the Senate this year are faring better than those involved in a House race, according to the latest F.E.C. filings.

In fact, 55% of the funds spent by home center industry PACs since the 1982 elections went to Senate candidates, who made up only 27% of the Federal politicians receiving money.

Although political fund raisers often pitch their solicitation attempts toward the need to elect new pro-business members to Congress, all of the home center industry PAC contributions made to Federal candidates since the 1982 election went to incumbents.

Despite the home center industry's apparent inclination to channel the bulk of its PAC contributions to incumbent Republican Congressmen and Senators, *NHCN*'s analysis of F.E.C. filings uncovered sharp variations in spending patterns among individual fund raising groups.

Union Camp's PAC raised more than $55,000 since the 1982 elections and has already spent $27,000 on Federal candidates (63% on Republicans).

Based on the latest F.E.C. figures, during 1983 Union Camp's PAC contributed to more candidates, 42, than any other home center industry political fund raising group.

Weyerhaeuser Shareholders' PAC (one of two political fund raising groups operated by the chain) followed closely behind, making 39 contributions to congressional campaigns last year.

Although the PAC spent $22,950 since the last election, in mid-February it still had over $20,000 to pump into Federal and state races.

In contrast to most of the home center industry PACs, which spread their money among a broad cross-section of candidates, Boise Cascade has placed its PAC funds in a few key races.

According to the most recent F.E.C. filings, Boise Cascade's PAC has contributed to eight candidates—accounting for only 25% of the $49,000 it raised since the 1982 elections.

Senate candidates received 75% of those contributions, with Sen. Daniel Jack Evans (R-Wash.) getting the largest donation ($5,000).

That contribution however, was not for the 1984 elections, but rather for a special election held last year in Washington state due to the death of former Senator Henry "Scoop" Jackson.

Since winning that election, Evans has been chosen to sit on the Senate Energy and Natural Resources Committee.

Weyerhaeuser's PAC also contributed heavily to Evans' campaign giving the Senator $6,500 last fall.

Overall the chain's political fund raisers have channeled over 50% of the PACs contributions to candidates running in Western states.

In addition, Weyerhaeuser's PAC pumped $1,825 into an allied industry's fund-raising organization—the National Forest Product Association's PAC (see related story).

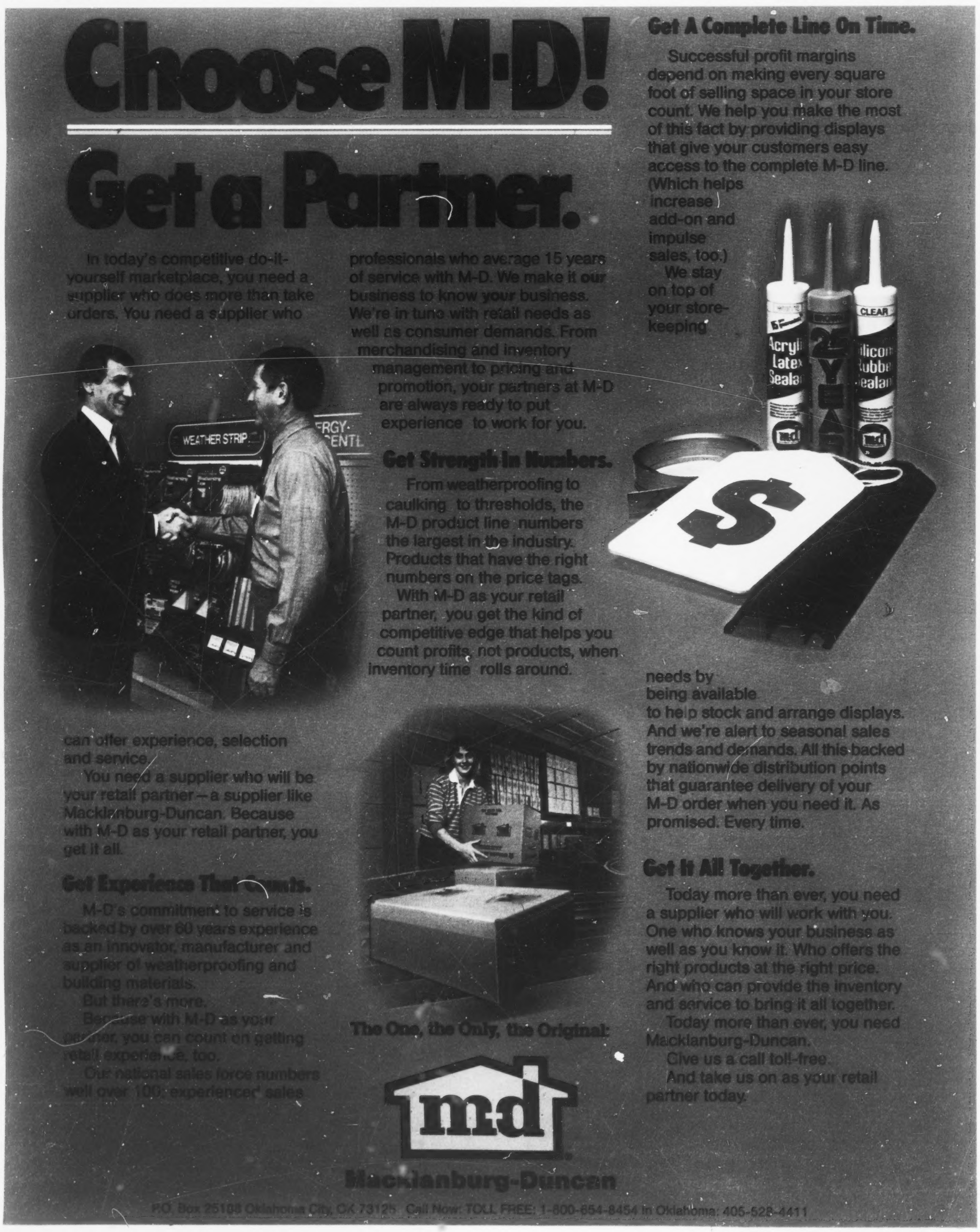
Surprisingly, given Peter Grace's highly publicized support of President Reagan, political fund raisers at W. R. Grace channeled 64% of their PAC contributions ($6,750) to Democratic candidates in the last year.

An earlier *NHCN* PAC analysis of contributions made during the 1982 campaign showed that W. R. Grace was also the only home center industry PAC to favor Democrats in the last election.

The campaign warchest

Sponsor	PAC collections for '84 campaign	Funds on hand from 1982 elections	PAC Contributions to: Federal candidates	State candidates	Other industry PACs	Admin. costs	Funds available for '84 campaign
CORPORATIONS							
Boise Cascade	$ 49,001	$ 5,406	$ 12,550	0	$ 0	$ 0	$ 41,857
Cyclops	2,666	1,489	0	0	0	193	3,962
Union Camp	55,967	16,306	27,100	0	0	500	44,673
Weyerhaeuser (Shareholders)	27,550	15,688	22,950	0	0	0	20,288
Weyerhaeuser	12,786	9,686	13,275	0	1,825	151	7,221
W. R. Grace	4,450	21,241	6,750	0	0	0	18,941
TRADE ASSOCIATIONS							
National Lumber & Building Materials Dealers Assn.	0	606	0	0	0	0	606
National Forest Products Assn.	22,383	6,752	23,375	0	250	0	5,410
National Assn. of Home Builders	632,178	122,189	356,257	0	1,000	22,307	374,803
National Assn. of Realtors	1,833,308	355,771	417,545	0	332,510	75,304	1,363,720

Source: Federal Election Commission; *NHCN* chart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professionals who average 15 years of service with M-D. We make it our business to know your business. We're in tune with retail needs as well as consumer demands. From merchandising and inventory management to pricing and promotion, your partners at M-D are always ready to put experience to work for you.
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With M-D as your retail partner, you get the kind of competitive edge that helps you count profits, not products, when inventory time rolls around.
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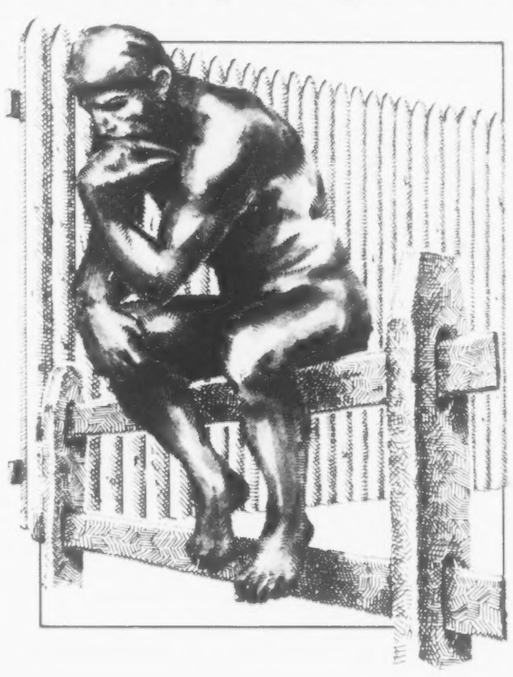
"WHEN YOU THINK OF EASY-UP FENCE THINK OF THE FURMAN SYSTEM"
Another in a series of great thoughts from the Thinker.



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LUMBER REPORT

Home improvement ind. study carries good news for retailers

NEW YORK—Good news and bad news regarding lumber and wood product sales is contained in a new study of the home improvement industry by Frost and Sullivan, the research company based here.

For home centers, the news is almost all good.

The report, called Markets and Strategies for Selling Home Improvement Products Through the Retail Channel, notes that overall shipment of lumber and wood products remain subject to cyclical swings and should show little long-term growth, when viewed in constant dollars.

However, the home center market share of lumber and wood product sales is expected to grow substantially in comparison to the projected sales gains for hardware stores and contractor-oriented outlets.

The report divides lumber and wood products into five categories: dimensional lumber, millwork, softwood plywood, kitchen cabinets and paneling.

Kitchen cabinets are the only strong exception to the pattern of flat overall product growth but expanding home center market share. Substantial kitchen cabinet sales growth is expected, but specialty outlets should receive the lion's share of retail business, according to the report.

Overall, in constant 1967 dollars, total shipments of lumber and wood products, estimated at $6.8 billion in 1982, are forecast to reach $8.4 billion next year and $9.3 billion in 1990. The increase is less sharp than first appears, however, because shipments had already reached $7.6 billion in 1980, before a recession-related dip.

That year home centers accounted for $2.1 billion in retail sales or 16.7% of the market, while contractor-oriented outlets recorded sales of $2.4 billion, equivalent to 19.3% of the market, according to Frost and Sullivan figures, which were compiled from Census data and Frost and Sullivan numbers.

By 1990, the report forecasts, home center sales of lumber and wood products will reach $4.5 billion, or 29.1% of the market. In contrast, sales by contractor-oriented outlets will creep up to only $2.7 billion, the equivalent of 17.6% of the market.

Hardware stores account for a negligible amount of total lumber and wood product sales and that situation is expected to continue. Hardware store sales amounted to a 0.2% share in 1980, which is expected to reach a 0.3% share by next year and remain constant through the rest of the decade.

Overall, then, home centers are expected to dominate retail sales of lumber and wood products for the rest of the decade. In fact, by next year Frost and Sullivan expects the home center share of market to reach 22.8%, while the contractor-oriented outlets should achieve the 17.6% market share that is expected to remain static through 1990.

On a product-by-product basis, dimensional lumber is the largest in the dollar value of merchandise shipped. In 1980 total shipments in the United

(Continued on page 87)

FUTURES

Two weeks ended March 1, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	185.20	177.00	183.00	182.50	1,407	240.50	170.60
May	200.50	190.10	197.40	194.00	3,579	245.50	182.00
July	206.60	196.10	205.00	197.80	1,625	252.50	190.30
Sept.	208.00	198.70	206.50	199.70	844	236.00	193.30
Nov.	206.00	198.20	204.10	198.60	775	228.80	196.00
Jan. '85	209.00	205.00	209.00	205.90	112	221.30	202.30
March	212.50	209.80	212.20	211.50	42	220.00	209.30

Total Contract Vol. (Through 3/1): 25,136 — Previous Two Weeks: 22,836
Total Open Interest (As of 3/1): 8,444 — Previous Week: 8,401
Cash Price: $182.28 — Previous Week: $186.20 — Year Ago: $174.44

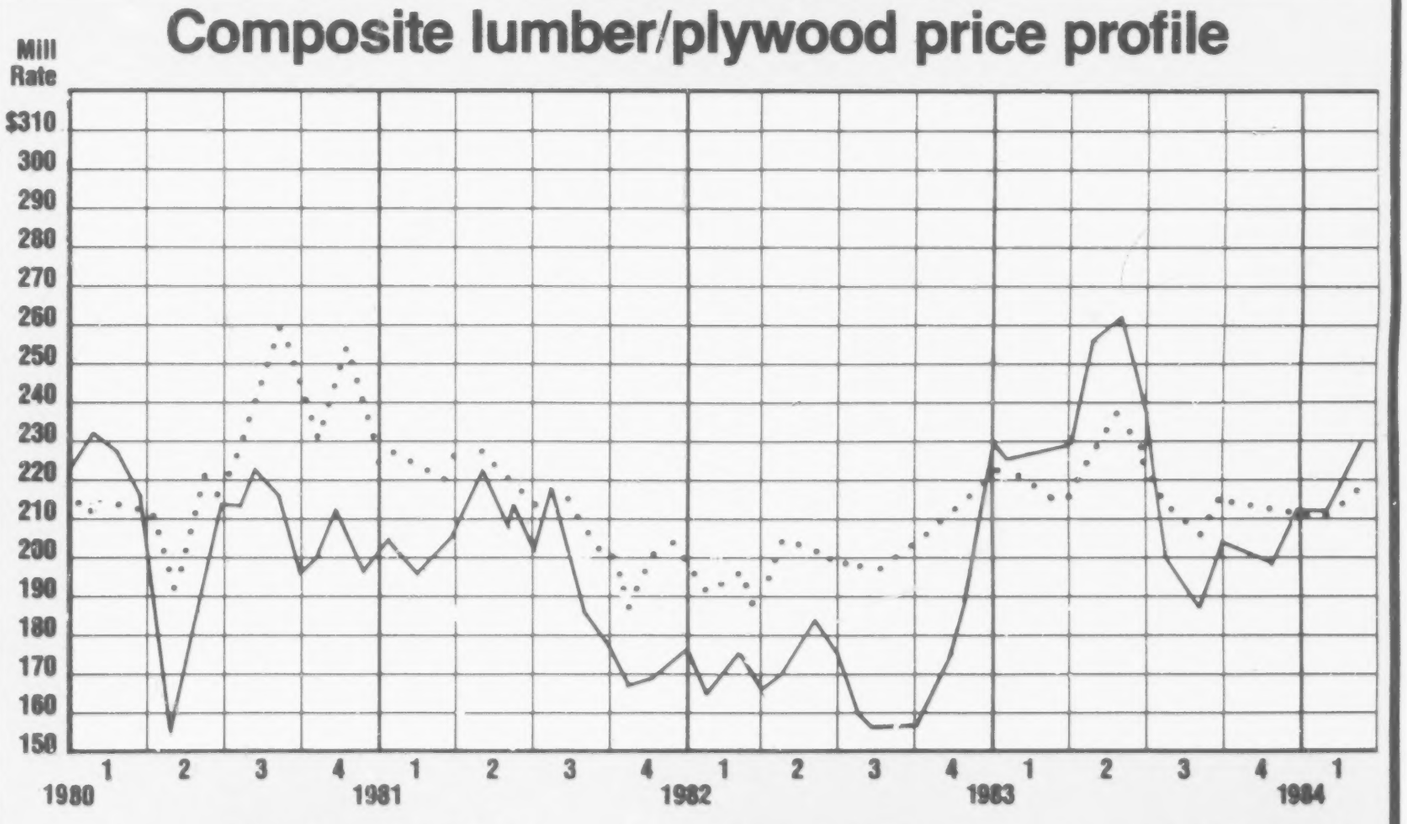
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March '84	198.40	191.00	197.30	198.00	55	225.00	183.00
May	203.00	195.80	201.30	201.50	184	208.50	187.50
July	206.00	201.00	204.30	204.00	60	210.00	190.50
Sept.	208.00	204.00	206.50	206.00	11	212.50	199.00

Total Contract Vol. (Through 3/1): 644 — Previous Two Weeks: 732
Total Open Interest (As of 3/1): 310 — Previous Week: 426
Cash Price: $196.00 — Previous Week: $196.00 — Year Ago: $190.12

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	—	—	—

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 1.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



——— Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

The framing lumber composite picked up in February based on orders from retailers gearing up for the spring season. The composite reached $229 per thousand board foot compared with $213 in January and $212 in December. The framing lumber average for February 1983 was $223 per thousand board foot.

The plywood composite has been flat, reaching $217 per thousand square foot in February compared with $212 in January and $216 in December. The plywood composite for February 1983 was $219.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

Aggressive trade PAC's coffers full for '84

WASHINGTON—Some of the most active home center industry-related Political Action Committees (PACs) are sponsored by trade associations like the National Home Builders Assn., the National Assn. of Realtors, the National Forest Products Assn. and the National Lumber and Building Material Dealers Assn.

An aggressive political fund-raising drive engineered by the National Association of Home Builders has generated a campaign warchest of over $600,000 for the upcoming elections. The PAC collected $1,318,750 for the 1982 Congressional races, according to Federal Election Commission files.

NHCN's survey of the latest PAC reports on file at the Federal Election Commission found that the association's political fund raisers made 279 contributions to Congressional candidates since the last election.

The amount of these contributions varied greatly, ranging from $200 to $10,000 in the case of some key Senate members.

The National Association of Realtors is also channeling large (over $3,000) contributions to candidates on critical Congressional committees through its PAC.

- Sen. Chic Hecht (R-Nev.), member of the financial institutions and federal credit program subcommittees, received $10,000 from the Home Builders PAC and $5,000 from political fund raisers at the realtors' association in 1983.

It is not surprising that other top recipients of PAC funds from the two associations also were members of committees intimately involved in determining the nation's interest rates—a critical concern of the housing industry.

Specifically Sen. Rudy Boschwitz (R-Minn.), who sits on the budget committee received $4,500 from both association PACs while Rep. Jim Cooper (D-Tenn.), a member of the domestic monetary policy and financial institutions subcommittees accepted $3,250 from each.

In addition, house budget processes subcommittee member Phil Gramm (R-Tex.) and Rep. George Wortley (R-N.Y.), who sits on the banking finance and urban affairs committee, received a total of $8,000 and $6,500, respectively, from the two PACs.

Despite the inclination of both organizations to give large contributions to members of Congressional committees that deal with financial matters, *NHCN*'s analysis of F.E.C. filings found sharp differences in spending patterns among the two fund-raising groups.

The home builders PAC contributed 55% of the $356,257 it has spent on Federal candidates since the 1982 elections on Democrats, while political fund raisers at the Realtors Assoc., which poured $417,545 into the 1984 campaign, earmarked 62% of those funds for G.O.P. politicians.

The National Forest Products Assn.'s political fund raisers appear to be tilting toward the G.O.P. with 67% of the contributions made since 1982 going toward Republican candidates.

The National Lumber and Building Materials Dealers Assn. has not raised any funds or given to any politician since the 1982 elections.

Unlike the Home Builders PAC, political fund raisers at the National Association of Realtors channeled large sums ($332,510) to individual state PACs in 1983.

Although the realtors' PAC has spent over $750,000 since the 1982 elections, it still has more than a million dollars left in its campaign warchest. That is probably just the tip of the iceberg as the PAC spent $3,144,475 on the last election.

Where the campaign dollars are going

PAC sponsor	Amount of contributions		Number of contributions	
CORPORATIONS	Democrats	Republicans	Democrats	Republicans
Boise Cascade	$ 1,250	$ 11,300	2	6
Cyclops	0	0	0	0
Union Camp	10,000	17,100	24	18
Weyerhaeuser Co. (Shareholders)	7,650	15,300	17	22
W. R. Grace	4,300	2,450	14	9
TRADE ASSOCIATIONS National Lumber & Building Materials Dealers Assn.	0	0	0	0
National Forest Products Assn.	8,425	15,050	13	27
National Assn. of Home Builders	195,150	161,107	154	125
National Assn. of Realtors	200,382	217,163	149	104

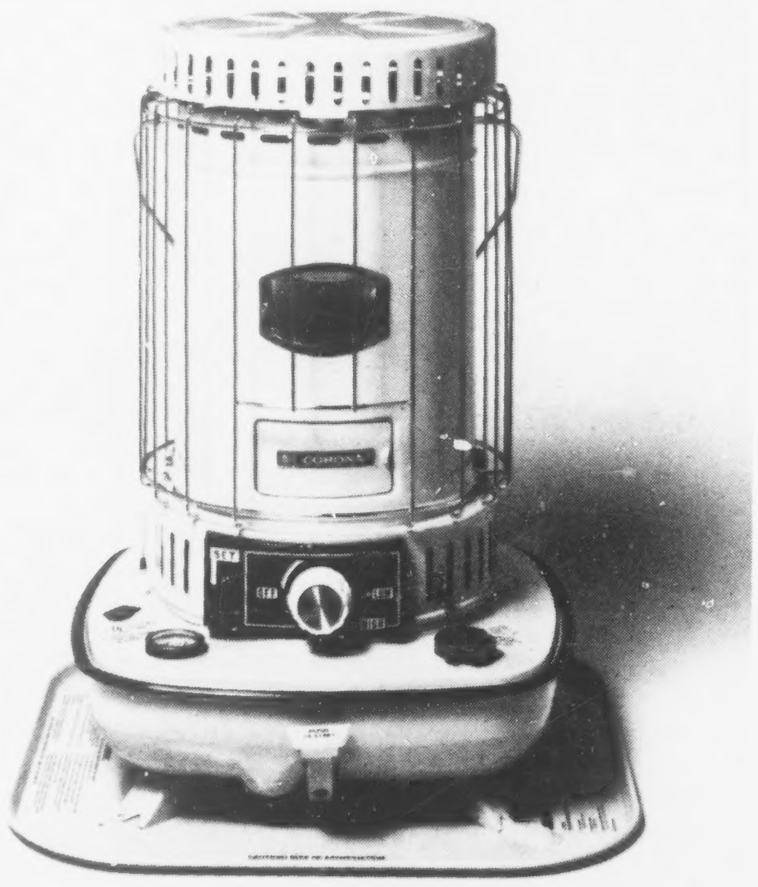
Source: Federal Election Commission; *NHCN* chart

Four candidates get lion's share of DIY dollars

WASHINGTON—*National Home Center News*' survey of the latest Federal Election Commission filings found that four Senate candidates received 27% of the total contributions ($106,000) made by home center industry Political Action Committees since the 1982 elections.

To date the top recipients of home center industry PAC funds are:

- Sen. Daniel Evans (R-Wash.), who was elected last November to fill the vacancy created by the death of Sen. Henry "Scoop" Jackson, and received $13,500 from home center industry PACs last year. Political fund-raisers at Weyerhaeuser, Boise Cascade, Union Camp and the National Forest Products Assn. (NFPA) supported Evans in that race giving him $6,500, $5,000 $1,000 and $1,000 respectively. Currently, Evans sits on the Senate energy and natural resources committee.
- Sen. James A. McClure (R-Idaho), the head of several committees which deal with critical issues impacting on the home center industry, received $5,500 from industry PACs in 1983. Individual PAC contributions ranged in size from $500 (Weyerhaeuser- Shareholders) to $3,500 (Boise Cascade) with Union Camp pumping $1,000 and the NFPA contributing $500 to McClure's campaign. McClure is chairman of the Senate energy and natural resources committee.
- Sen. Howell Heflin (D-Ala.), the only Democrat receiving over $2,500 from home center industry PACs, sits on the Senate agriculture and forestry committee as well as the commerce science and transportation committee. Three home center industry PACs (NFPA, Weyerhaeuser and Union Camp) pumped $5,200 into Heflin's re-election campaign.
- Sen. Pete Domenici (R-N.M.) chairman of the powerful Senate budget committee, received a total of $4,000 from PACs formed by the NFPA, Weyerhaeuser (Shareholders), and Union Camp since the last elections.



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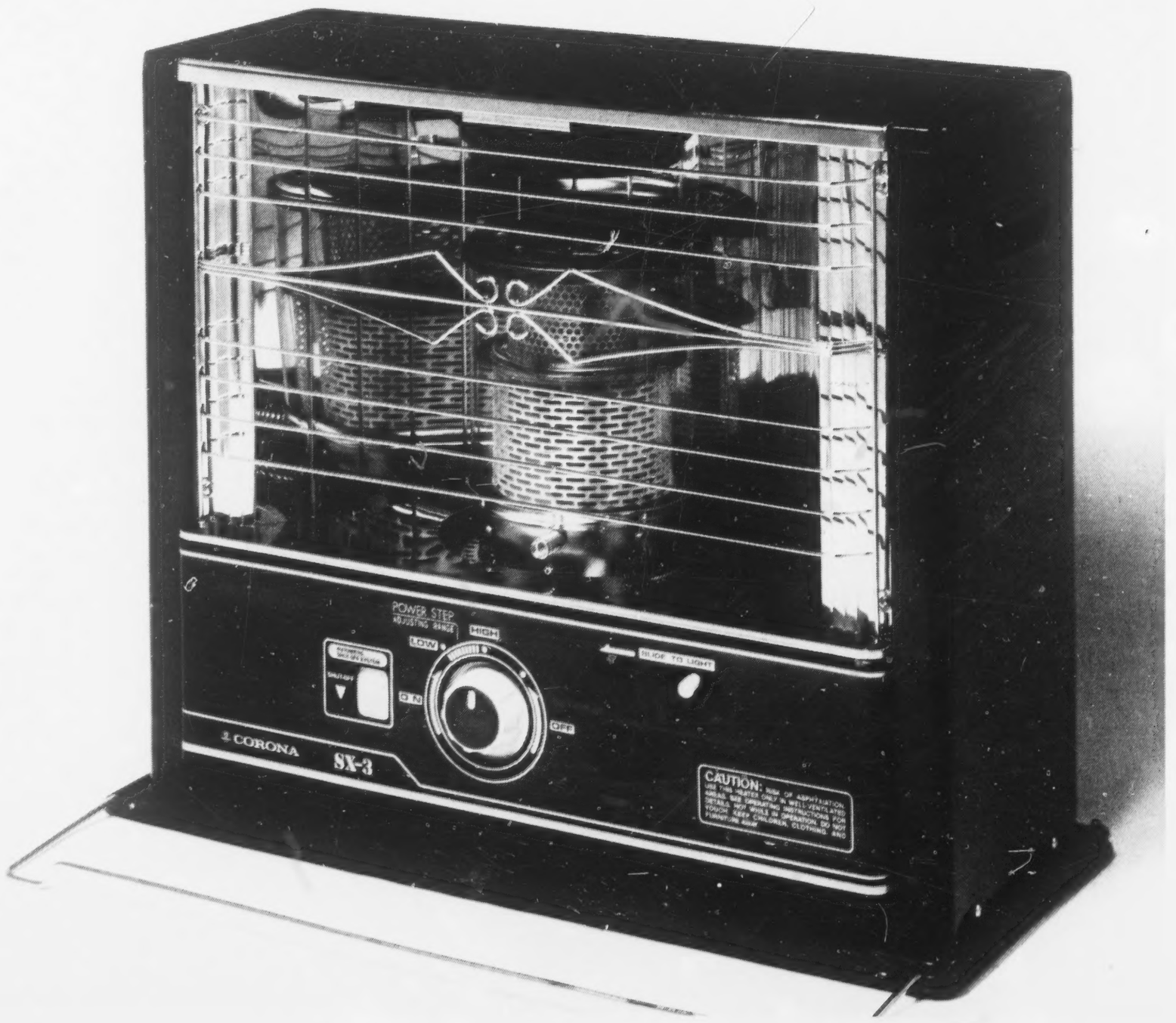


MERCHANDISING

Study: Retail adhesive sales outpaced industry

NATIONAL REPORT—Retail sales of adhesives and sealants to consumers and contractors have increased substantially faster in the period since 1967 than have sales of the products made directly to manufacturers and home builders, according to a new study from Predicasts, the Cleveland-based business information and research firm.

However, the study concluded that retail sales of the products will begin leveling off over the next decade.

For the purpose of the study, consumer and contractor purchases at retail outlets were lumped together.

Entitled "U.S. Adhesives and Sealant Markets," the study's conclusions were based on surveys of leading manufacturers, retailers and distributors, as well as reports in Government and trade publications.

The study concluded that retail sales of home and auto adhesives and sealants rose 9.4% annually from 1967 to 1982, compared with a 3% annual rate of increase during the same period for the adhesives and sealants industry in its entirety.

Retail sales for the products should increase by only 2.5% annually from 1982 to 1995, while sales of adhesives and sealants as a whole should increase at a 3.7% annual rate for the same period, according to the study.

The annual rates of increases included in the study were based on movement of adhesives and sealants by weight, rather than by a study of the dollar amounts of products sold.

"The lower rate of increase for home and auto adhesives and sealants forecast for the period 1982 to 1995 by the study reflects a saturation in that market," said Kevin Swift, chief economist and director of research services at Predicasts.

Swift added that the category's 9.4% annual rate of increase since 1967 was high partly because a number of higher technology adhesives, first introduced in the industrial sector, were filtering down into the consumer area, sparking sales.

As one example, during that period many do-it-yourselfers began using adhesives instead of nails in home projects such as paneling installations.

However, Swift noted that although the new, high technology adhesives and sealants would likely be introduced into the consumer market over the next 10 years, their purpose would more often be to offer better performance rather than new uses.

Swift attributed the increase in total industry sales of adhesives and sealants expected over the next 10 years to a rebound in the housing market and an expected increase in demand for adhesives by package manufacturers. For the most part, new home builders and package manufacturers purchase their adhesives and sealants directly from vendors rather than through retail stores, he noted.

According to the report, total American consumption of all adhesives and sealants is expected to rise by some 60% during the period from 1982 to 1995.

In 1982, about 9 billion lb. of the products were purchased by end users, either through retail stores or directly from vendors. That figure is expected to rise to 15 billion lb. over the next decade.

At the same time, the increase in demand is expected to be accompanied by a trend toward more expensive, top performance adhesive and sealants. As a result, the actual dollar amount of product sold is expected to rise at a much faster rate—some 400% in current dollars—during the same period. An industry that represented $6.5 billion worth of sales, in manufacturer's dollars during 1982, should grow to $25 billion by 1995.

Retail sales of adhesives destined for use in home construction, maintenance and remodeling, totaled some 60 million lb. in 1982, or about $190 million in manufacturers' dollars. This figure is expected to grow to 85 million lb. by 1995.

Retail sales of sealants, destined for the same uses, totaled some 190 million lb. in 1982, pegged at a dollar amount of $225 million. Annual movement of this category is expected to rise to 230 million lb. by 1995.

Retail sales of adhesives used by purchasers for automobile repair was 30 million lb. in 1982, totaling about $60 million in manufacturers' dollars, and is expected to rise to 50 million lb. annually by 1995.

Retail sales of adhesives and sealants for home and auto use

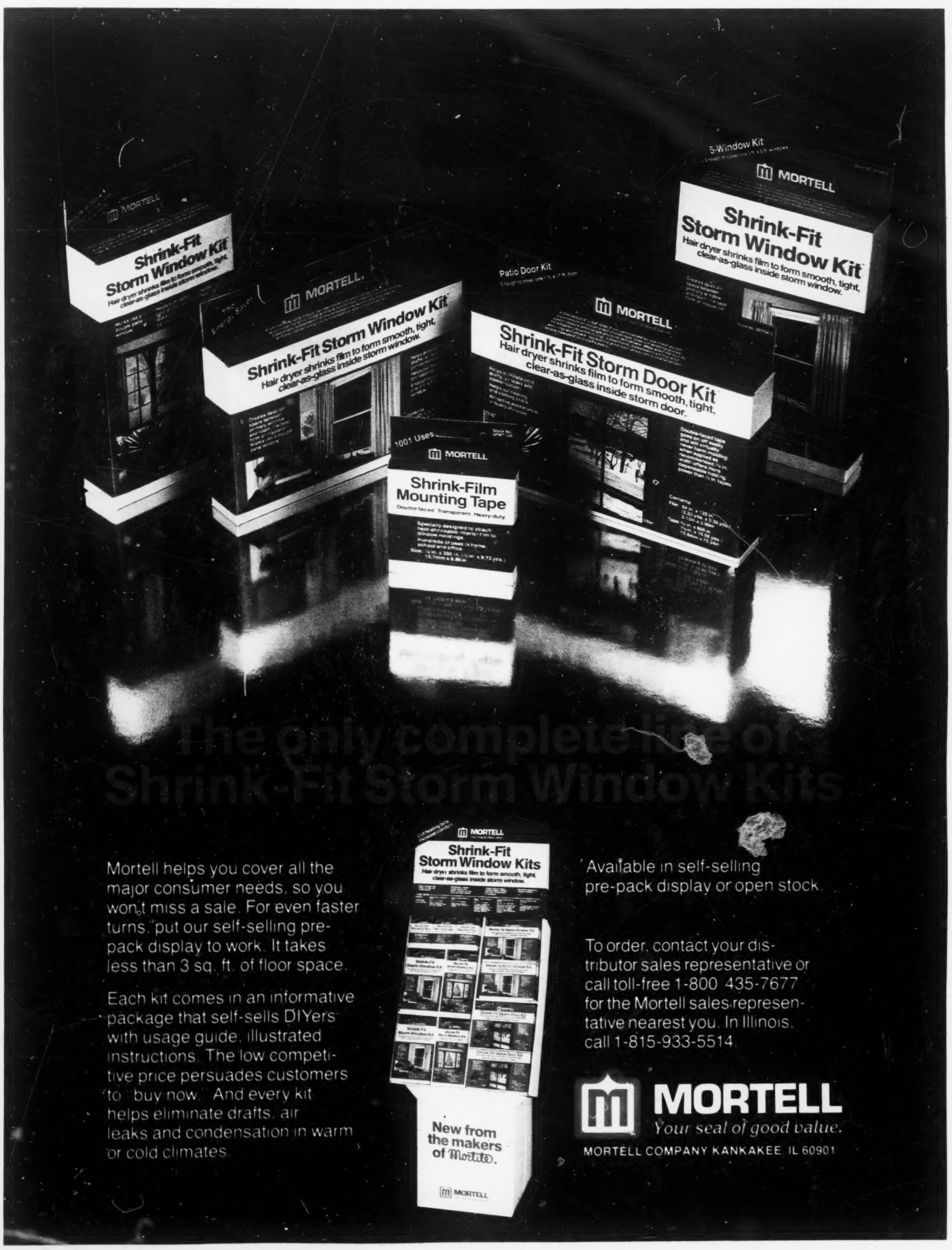
(million pounds)

Item	1967	1972	1977	1982	1987[p]	1995[p]
Home use adhesives	40	49	55	60	74	85
PVAc (white glues)	15	20	22	24	32	37
Rubber cements	6	8	10	11	15	15
Starch-based adhesives	6	7	6	4	3	2
Epoxies	2	3	4	5	6	7
Dextrin-based adhesives	3	3	3	2	2	2
Others	8	8	10	14	16	22
Auto use adhesives	15	22	30	30	30	50
TOTAL ADHESIVES	55	71	85	90	104	135
Home use sealants	40	90	180	190	195	230
Auto use sealants	20	40	65	160	185	240
TOTAL SEALANTS	60	130	245	350	380	470

[p] = projected

Source: Predicasts; *NHCN* chart

Retail sales of adhesives and sealants for home and auto use totaled some 440 million lb. in 1982.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U.S. existing home sales leap 37.2% in '83

NATIONAL REPORT—For the fourth quarter existing home sales were up in all states and the District of Columbia compared with the same period for 1982, according to the National Assn. of Realtors.

Eighteen states recorded increases of over 30% in their seasonally adjusted annual rates of home resale activity. New Hampshire had the highest increase, up 88.2% over the last quarter of 1982 and Georgia was up 78.4%.

Alaska, Connecticut, Oregon and Hawaii all recorded home resale increases of over 50% compared with the fourth quarter of 1982.

For the whole of 1983 existing home sales totaled 2.909 million units, an increase of 37.2% over 1982's figures of 2.120 million.

The only state to experience a decline in 1983 was Arizona with a slight drop of 0.5%. The highest increases in existing home sales over the year were found in New Hampshire, up 112.7%, and Hawaii, up 90.2%. Seven states had more than a 50% increase over the previous year.

"Lower rates on fixed-rate mortgages and greater consumer acceptance of adjustable-rate mortgages, which carry initial interest rates 1% to 2% lower than their fixed-rate counterparts helped many homebuyers to bridge the affordability gap over the last year," said Dr. Jack Carlson executive vp and chief economist for the Association.

States	Yearly analysis of home sales*—1980-83 (thousands of units) 1980	1981	1982	1983p	% change '82-'83	Quarterly analysis of home sales* (thousands of units) 1982:4	1983:1	1983:2	1983:3	1983:4p	% change 1982:4-1983:4
Alabama	45.2	29.3	31.9	42.2	32.3	33.4	32.3	43.0	45.7	46.4	38.9
Alaska	7.6	6.0	4.3	6.1	41.9	4.3	4.6	6.0	6.6	7.3	69.8
Arizona	51.7	50.6	37.9	37.7	– 0.5	34.9	31.0	38.9	40.2	40.2	15.2
Arkansas	44.9	38.0	31.3	42.3	35.1	32.0	37.3	44.0	47.3	39.5	23.4
California	465.2	333.0	233.8	343.2	46.8	259.4	265.9	355.3	381.1	370.2	42.7
Colorado	64.0	51.3	38.4	46.3	20.6	37.6	38.6	46.7	57.9	39.4	4.8
Connecticut	29.1	26.8	21.3	36.5	71.4	20.5	26.3	38.3	43.4	32.3	57.6
Delaware	10.2	8.4	7.3	9.2	26.0	8.6	6.6	10.0	9.2	11.23	30.2
Dist. of Columbia	7.5	6.2	5.5	7.4	34.5	7.3	6.6	8.0	7.1	7.9	8.2
Florida	178.3	149.9	100.3	126.6	26.2	94.7	116.2	129.4	133.8	125.0	32.0
Georgia	66.4	54.6	35.8	50.8	41.9	30.5	47.7	51.5	49.6	54.4	78.4
Hawaii	6.9	4.7	4.1	7.8	90.2	5.0	7.1	10.5	6.0	7.6	52.0
Idaho	15.5	11.3	9.3	11.3	21.5	9.0	8.4	11.5	14.6	10.0	11.1
Illinois	134.3	103.1	80.0	114.8	43.5	96.2	118.2	112.4	118.2	110.4	14.8
Indiana	76.6	53.6	41.4	56.4	36.2	38.3	54.3	63.7	60.6	45.9	19.8
Iowa	49.3	39.7	28.6	38.7	35.3	31.1	31.9	45.3	40.8	34.4	10.6
Kansas	52.1	41.9	33.4	48.9	46.4	31.6	51.3	59.4	49.0	34.6	9.5
Kentucky	42.9	37.1	37.1	56.0	50.9	42.6	44.0	65.4	59.5	51.5	21.6
Louisiana	50.6	40.6	45.7	63.2	38.3	64.7	50.8	71.4	59.1	73.5	13.6
Maine	14.0	13.6	14.8	20.3	37.2	14.6	14.6	23.3	23.8	17.2	17.8
Maryland	55.5	47.1	43.8	60.2	37.4	62.7	52.4	61.2	60.5	66.6	6.2
Massachusetts	48.9	42.8	42.5	58.6	37.9	48.4	59.4	55.6	68.8	52.4	8.3
Michigan	148.9	120.1	94.8	133.7	41.0	108.3	130.4	147.4	124.7	132.3	22.2
Minnesota	68.1	58.2	44.3	57.9	30.7	52.6	58.1	67.7	50.6	53.6	1.9
Mississippi	26.8	22.9	23.0	32.4	40.9	30.5	26.1	35.5	31.2	37.0	21.3
Missouri	72.9	59.9	48.4	71.1	46.9	41.1	86.4	71.1	80.3	48.8	18.7
Montana	13.1	11.4	9.3	12.3	32.3	9.4	9.7	14.1	13.7	10.7	13.8
Nebraska	22.1	18.4	16.6	24.3	46.4	22.5	15.1	26.5	23.4	29.3	30.2
Nevada	13.1	11.2	8.2	9.9	20.7	7.1	8.2	11.7	10.1	7.5	5.6
New Hampshire	11.7	10.2	7.9	16.8	112.7	5.1	13.6	25.5	16.7	9.6	88.2
New Jersey	82.2	69.0	73.0	109.1	49.5	82.7	94.1	110.3	119.2	107.6	30.1
New Mexico	22.0	22.8	15.9	17.9	12.6	16.3	12.9	18.2	21.3	18.5	13.5
New York	125.5	120.7	120.9	145.6	20.4	122.9	121.4	151.8	167.0	129.0	5.0
North Carolina	79.1	69.6	70.0	92.3	31.9	83.7	85.4	89.2	92.0	102.5	22.5
North Dakota	8.8	8.5	6.4	9.6	50.0	7.1	8.2	10.8	10.0	8.7	22.5
Ohio	144.3	102.8	83.0	125.3	51.0	91.3	108.3	133.5	131.6	121.9	33.5
Oklahoma	72.1	58.6	52.1	64.2	23.2	55.7	59.6	61.1	71.0	62.7	12.6
Oregon	48.5	35.9	24.4	33.9	38.9	24.6	48.7	20.8	31.2	37.7	53.3
Pennsylvania	129.8	103.4	106.7	154.5	44.8	133.0	133.1	166.4	156.9	153.7	15.6
Rhode Island	6.4	6.0	6.2	8.5	37.1	6.1	8.1	9.8	7.1	8.7	42.6
South Carolina	36.9	31.2	30.2	39.4	30.5	34.0	32.0	38.1	41.4	46.2	35.9
South Dakota	10.9	9.5	8.6	13.4	55.8	10.7	9.8	14.4	14.3	13.7	28.0
Tennessee	57.1	49.9	46.8	70.1	49.8	53.7	65.3	73.3	70.1	70.9	32.0
Texas	250.6	221.0	165.3	187.5	13.4	140.9	184.0	203.8	201.0	155.7	10.5
Utah	22.0	16.4	12.5	14.7	17.6	12.1	10.4	15.7	17.9	13.7	13.2
Vermont	7.1	6.2	6.0	7.2	20.0	5.3	5.4	7.1	7.6	7.8	47.2
Virginia	92.1	77.4	71.3	99.5	39.6	96.5	93.7	103.6	93.7	110.3	14.3
Washington	66.7	49.8	33.7	45.4	34.7	34.1	38.4	53.2	48.0	39.3	15.2
West Virginia	30.6	21.8	21.9	31.6	44.3	24.7	28.6	36.6	27.7	34.4	39.3
Wisconsin	60.4	49.4	34.2	48.1	40.6	34.5	41.3	57.6	48.7	42.0	21.7
Wyoming	7.7	6.2	5.1	15.5	7.8	5.0	4.9	5.8	6.0	5.1	2.0
U.S.	3,159.0	2,572.0	2,120.0	2,909.0	37.2	2,270.0	2,750.0	3,040.0	2,990.0	2,880.0	26.9

*Single-Family, apartment, condos and co-ops
ppreliminary
Source: National Assn. of Realtors

In 1983, 18 states recorded increases of over 30% in their seasonally adjusted annual rates of home resale activity. New Hampshire led the way with the highest increase—112%—over 1982 home sales.

Trend toward smaller homes sees reversal

WASHINGTON—Last year's housing boom marked the reversal of a trend toward smaller single-family homes, according to the Commerce Department's *U.S Industrial Outlook* 1984.

Between 1978 and 1982 the median size of single-unit houses fell from 1,655 sq. ft. to 1,520 sq. ft., while the proportion of new homes without garages dropped from 27% to 18%.

Similarly, the percentage of new homes with no more than two bedrooms doubled from 12% to 24%, while the share of new single-unit dwellings with only one bathroom climbed from 15% to 22%.

Although Government researchers have not yet issued specific figures on the size of new homes built last year, Moody disclosed that "the average size of new houses increased in 1983 as interest rates declined."

This shift back to larger houses is likely to be only temporary, however, the report concluded.

Commerce Dept. warns:

Interest rates could level housing recovery

WASHINGTON—While the White House continues to issue optimistic forecasts for the nation's overall economic recovery, top Commerce Department experts in residential construction suspect that the current home building boom may sputter out early in 1984.

If those experts are right and housing starts level off this year, the '84 slump will disrupt the cyclical recovery pattern for the home building industry that dates back to the 1950's.

During the past 30 years, after each steep downturn in housing, starts moved upward for at least two years, giving contractors as well as manufacturers and retailers of building materials an opportunity to recoup losses suffered during the off-years.

Although that pattern of multiyear recovery took place following each of the other five declines in residential housing construction since the mid-1950's, "it does not appear . . . that credit market conditions will permit much, if any, increase to occur in 1984 after the unusually large expansion in 1983," Federal construction industry forecasters said in the Commerce Department's new *U.S. Industrial Outlook* 1984.

The Commerce Department predicts total housing starts of 1.6 million to 1.7 million this year, with a decline in multifamily starts.

The department's projections for the construction industry are "based on the assumption that average interest rates will be about the same in 1984 as in 1983," and that "inflation will remain low and that private demand for credit will be restrained because the economy will still have unused productive capacity," Government economic forecasters explained.

But at the same time, they acknowledged that "the prospect of large Federal budget deficits presents the danger that rising interest rates may choke off further growth in construction earlier in this recovery than in past ones."

(Continued on page 73)

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Commerce Dept. warns: Interest rates threatening housing rebound

(Continued from page 72)

Turning specifically to private residential construction, the new report notes that the United States market appears ripe demographically for several years of sustained growth.

In discussing the "pent-up" demand for new housing that ignited the 1983 upsurge in housing starts, Commerce Department residential construction specialist Gerald Moody noted that "the number of households grew at a slower rate in 1982-83 than at any other time in the past two decades, even though the number of persons in the prime homebuying ages of 25 to 44 continued to grow at an annual rate of about two million."

But the key factor working against these demographic pressures is the spectre of continued high mortgage rates.

"Even after declining in 1982-83, mortgage interest rates remained much higher than they were prior to 1980, both in nominal terms and in comparison with the inflation rate," Moody said. "Because of high interest rates, housing starts are not likely to reach new high levels during this economic cycle, even though there is substantial pent-up demand."

Significantly, Moody and other Commerce Department construction industry market experts contend that mortgage rates are remaining at such high levels at least partially because "deregulation" of the banking community has increased competition for "loanable" funds.

'Because of high interest rates, housing starts are not likely to reach new high levels during this economic cycle, even though there is substantial pent-up demand.'
—Gerald Moody, *Commerce Dept.*

"Prior to deregulation, a large part of the funds lent to homebuyers consisted of deposits in passbook accounts subject to interest rate ceilings," they noted. "Now, lenders to homebuyers must compete with other users of funds by paying market rates of interest."

Although Government forecasters contend that it is "reasonable to believe that flexible-rate mortgages will help somewhat to stabilize housing demand," they acknowledge that there is still a great deal of public resistance to these adjustable interest rate loans.

Although more than 40% of the conventional home mortgages closed in the summer of 1982 had adjustable rates, this proportion dropped to 30% the following summer as fixed interest loan rates declined.

This drop in public acceptance of variable rate loans "appears to reflect a continuing consumer preference for fixed-rate mortgages and, possibly, growing concern that interest rates may be higher in the next few years," Moody concluded.

"If, as expected, interest rates on fixed-rate conventional mortgages remain in the 12% to 14% range, the number of single-unit housing structures

(Continued on page 74)

Median sales price of existing single-family homes for metropolitan areas

(not seasonally adjusted; in thousands of dollars)

	Years			Quarters					
				1982	1983				Prices: % change
	1981	1982	1983	4th	1st	2nd	3rd	4th[P]	4th qtr. 1982-83
Albany	$ 46.1	$ 47.1	$ 49.2	$ 47.5	$ 46.5	$ 49.0	$ 50.6	$ 50.3	5.9%
Atlanta	NA	55.3	63.0	55.5	57.5	58.4	67.1	65.8	18.6
Birmingham	59.2	60.6	62.8	60.6	59.8	62.9	65.4	61.4	1.3
Boston	NA	80.2	82.6	77.3	78.6	80.1	85.4	84.9	9.8
Chicago	70.3	73.0	76.4	74.0	76.0	78.8	78.7	75.9	2.6
Columbus	55.0	57.8	59.4	57.9	57.9	60.4	59.6	58.8	1.6
Dallas/Fort Worth	67.3	74.0	76.3	71.3	73.2	75.9	78.8	78.3	9.8
Denver	NA	76.2	78.3	75.9	76.2	78.2	79.6	78.2	3.0
Detroit	48.5	47.5	47.5	46.6	46.8	48.3	47.1	47.8	2.6
Fort Lauderdale	72.8	74.2	73.9	72.7	72.9	74.5	75.5	72.3	– 0.6
Houston	72.7	77.2	79.9	78.0	76.8	80.3	83.0	80.0	2.6
Indianapolis	49.7	50.6	52.9	49.5	52.0	54.2	53.7	49.8	0.6
Kansas City	46.1	58.1	58.8	56.8	59.0	59.9	59.2	56.4	– 0.7
Los Angeles*	111.4	113.4	112.7	110.4	111.9	112.7	114.3	111.5	1.0
Memphis	55.9	59.3	61.6	57.4	59.6	60.0	64.1	61.7	7.5
Milwaukee	64.5	65.8	68.0	65.6	66.1	68.0	70.5	66.7	1.7
Minneapolis/St. Paul	69.7	72.4	73.6	72.2	72.5	74.3	73.7	73.7	2.1
New York Metro**	73.8	70.5	88.9	76.5	83.1	87.1	93.0	94.4	23.4
Oklahoma City	54.1	58.4	61.6	59.2	60.4	60.8	62.4	62.9	6.3
Philadelphia	59.2	58.1	59.6	58.3	59.1	59.8	60.7	58.6	0.5
Providence	50.0	49.7	54.7	50.5	50.4	53.7	57.8	56.2	11.3
Rochester	45.9	49.5	54.8	49.8	55.2	55.7	55.4	54.9	10.2
St. Louis	NA	57.0	58.9	54.6	57.2	59.2	59.6	58.7	7.5
Salt Lake City	62.9	64.6	64.3	63.8	63.7	64.1	65.7	63.1	– 1.1
San Antonio	53.6	58.3	62.6	58.1	58.1	61.9	67.6	62.3	7.2
San Diego*	97.4	98.6	98.9	100.5	97.0	99.6	100.2	98.6	– 1.9
San Francisco*	121.6	124.9	129.5	126.6	122.0	128.6	136.5	129.4	2.2
San Jose	109.0	122.6	127.6	122.6	122.0	126.8	130.6	128 6	4.9
Tampa	51.9	53.9	55.5	53.9	52.0	55.2	58.2	55.4	2.8
Washington, D.C.	88.3	87.2	89.4	85.7	87.9	89.7	90.8	89.0	3.9

NA = Not available
[P] = Preliminary
* = Data for Los Angeles, San Diego and San Francisco provided by the California Assn. of Realtors
** = Includes Long Island and Newark

Source: National Assn. of Realtors, Economics and Research division

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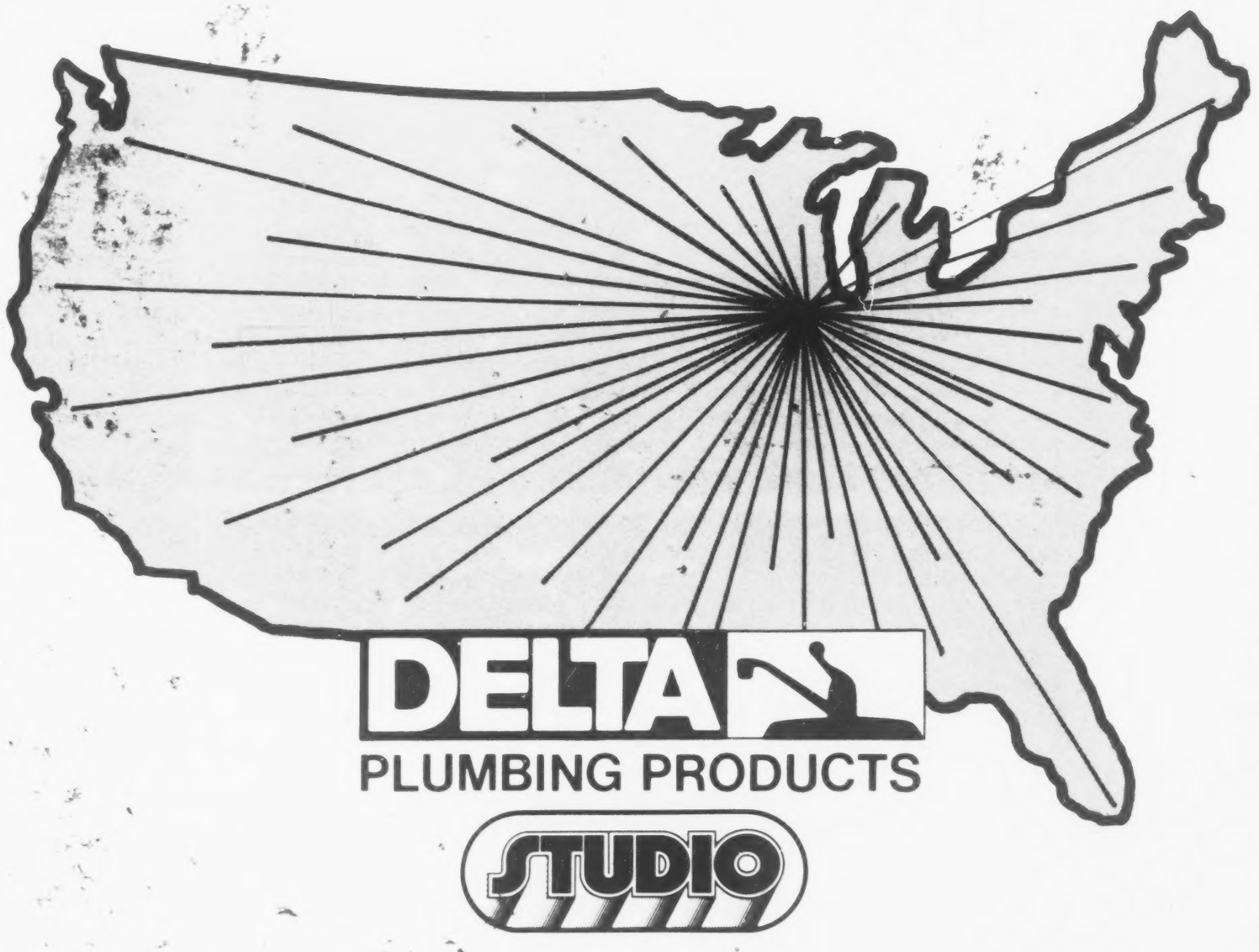

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More Americans can afford to purchase housing as income qualifications drop

NATIONAL REPORT—One of the unknown factors in the 1980's that will determine just how much demand materializes for housing is the ability of American households to afford housing.

The National Assn. of Realtors, the 600,000 member Washington, D.C., trade group, reports that resale homes have been more affordable lately than in any month in four years.

Income up

January figures, the latest available indicated that a household earning the United States median family income of $24,844 had 86.2% of the income necessary to qualify for the purchase of the median-priced existing home, which cost $71,900 that month.

That may not sound encouraging, but the figure was substantially better than in the past two years.

According to Dr. Jack Carlson, the association's chief economist and executive vice president, the percentage, derived from the NAR's Housing Affordability Index, averaged 83.6 for 1983, the highest level since 1979, when the index reached 97.2.

The 1983 figure indicated that the median family income of $24,700 was still $4,846 short of the $29,546 needed to qualify for purchase of the median-priced existing home.

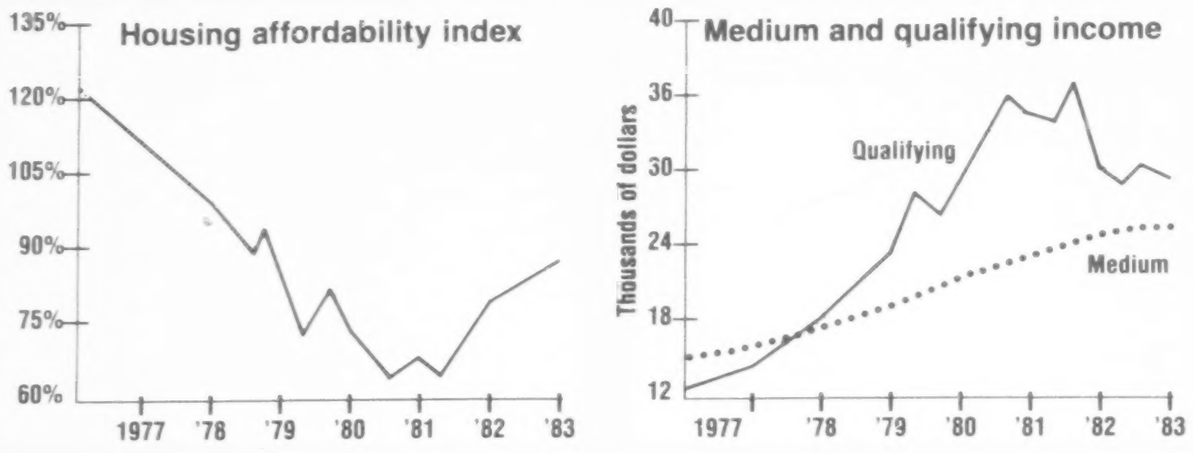
Mortgage payments

The average monthly principal and interest payment dropped in 1983 to $616 from $702 the year before, the association reported. Monthly mortgage payments consumed 29.9% of median family income last year compared with 35.9% in 1982.

More affordable

Carlson noted that 36.2% of the existing single-family homes purchased throughout the country in January were priced at less than $60,000—"which means they were affordable for households with the median family income."

More people can afford homes . . . as income qualifications decline



Source: National Assn. of Realtors

Prices of new single-family houses

Year	Total starts (mil. of units)	Avg. ann'l effective interest rates on conventional 25-yr. mortgages with 75% loan-to-price ratios	Median sales price (thousands)	Price index for houses, excl. lot 1977 = 100.0	Population* (millions) Total	Population* (millions) Aged 25-44	Households (millions)	Per capita disposable personal income (in 1972 $)
1978	2.0	9.7%	$55.7	114.3	222.6	59.4	76.0	4,440
1979	1.8	11.3	62.9	129.3	225.0	61.4	77.3	4,510
1980	1.3	14.0	64.6	143.3	227.6	63.5	80.8	4,490
1981	1.1	16.7	68.9	154.6	229.9	65.5	82.4	4,590
1982	1.1	16.6	69.3	158.2	232.1	67.6	83.5	4,570
1983**	1.7	13.5	75.0	162.0	234.2	69.7	83.9	4,650

Sources: Bureau of the Census, Bureau of Economic Analysis, Federal Home Loan Bank Board, U.S. Commerce Department Industrial Outlook, 1984.

*The 1978 and 1979 estimates based on 1970 population Census; the data for 1980-83 based on 1980 Census.

**The population and household estimates for 1983 made by the Bureau of the Census. The other data for 1983 are estimates by the Bureau of Industrial Economics.

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Commerce Dept. warns: Interest rates threatening housing rebound

(Continued from page 73)

started in 1984 will total about 1 million to 1.1 million, about the same as in 1983," according to the new forecast.

Because of the lag between start and completion, the real dollar value of newly constructed single-unit homes probably will continue to rise this year, but at a "much slower rate" than in 1983, the Government said.

But again, the boogeyman is the massive Federal budget deficit.

Combined with increasing business demand for credit, Government borrowing to finance the deficit "may cause many potential homebuyers to be crowded out of the credit markets, especially if the economy continues to grow at very rapid rates," Commerce Department experts said.

If this happens, the number of new single-family housing starts could start falling again "at some point in the year," they acknowledged.

In view of the department's current expectations for credit market conditions, the 1984 outlook for multiunit building is for a slight (3.3%) dip in starts this year to about 600,000.

"The constant dollar value of construction of such housing should be appreciably higher in 1984 than in 1983, however, because much of the 1983 increase in starts of these housing structures will be reflected in rising construction activity" this year, the report concluded.

The NHCN Top 100

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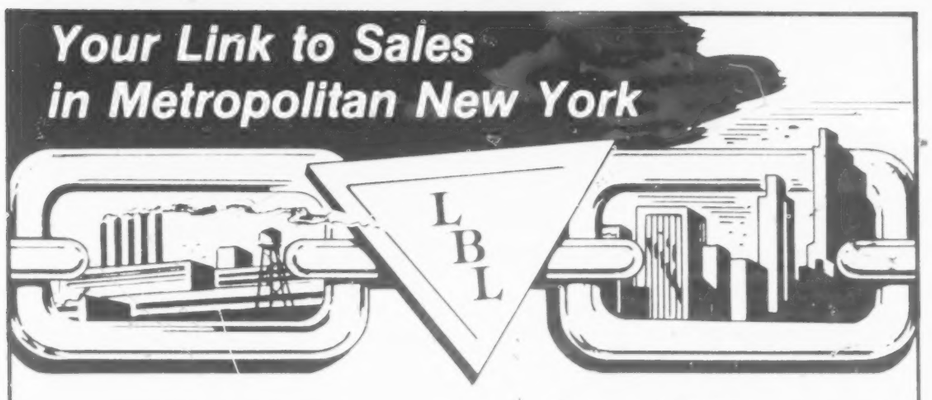

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More DIY gains predicted

(Continued from page 14)

States, including imports, totaled $11.4 billion in real dollars.

Using 1967 dollars, shipments amounted to $3.5 billion. Home centers had $918 million in sales that year, using 1967 dollars, while contractor-oriented outlets garnered $1 billion in sales for market shares of 17% and 19%, respectively.

The tables have turned. Next year Frost and Sullivan forecasts that home centers will have 25% of the dimensional lumber retail market, while contractor-oriented stores garner 19%. By 1990 it is expected that home centers and contractor-oriented outlets will have market shares of 34% and 21%, respectively.

In millwork, as well, the ascendency of home centers continues. In 1980 home centers had 14.5% of the market compared with 18.8% for contractor-oriented outlets. Next year home centers are expected to pull ahead in market share for the first time and by 1990 the home center share of the millwork market is forecasted to reach 23% compared with 16% for contractor stores.

In softwood plywood the story is similar. Home centers had a market share of 24.2% in 1980 compared with a 34.4% market share held by contractor outlets, according to the report.

Next year home centers and contractor outlets are expected to be neck-and-neck with 29% market share each. By 1990 Frost and Sullivan expects home centers to pass contractor stores in market share with 35% and 27% respectively.

Paneling and hardboard have traditionally been DIY items and even in 1980 home centers held a greater market share of sales than contractor stores, 25.2% compared with 20.2%. Home center market share is expected to grow at the expense of contractor stores. Next year home centers are forecasted to have a 31% market share compared with 13% for contractor stores. By 1990 the home center-contractor store market share disparity should widen further.

The Frost and Sullivan study notes that the greatest growth in millwork is in prefabricated window units, which traditionally have been installed by contractors.

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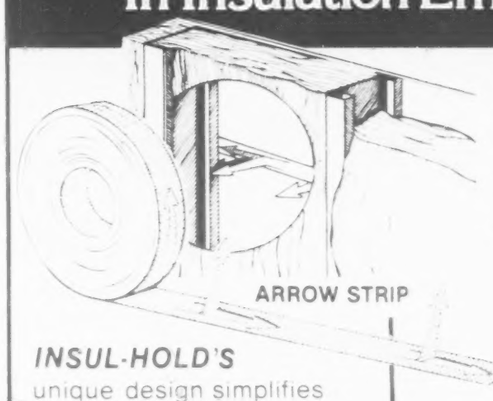

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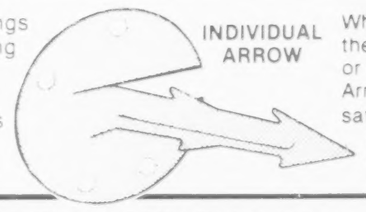

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NATIONAL HOME CENTER NEWS, CLASSIFIED DEPT.
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Buyers spend $50 million at 3-day BMA event

(Continued from page 2)
for the independent Fairfield Lumber & Supply in Connecticut, an affiliate of the company since 1975. "There's a positive attitude here that makes you feel like you're part of something."

Other dealers also seemed to relish the opportunity to make large purchases at special prices and with rebates, and many vendors reported heavy selling in their booths:

• Between 750 and 850 carloads of lumber were ordered through BMA's forest products division, with a good portion having been preordered before the show commenced. This total compares favorably with the 500 carloads ordered in 1983.

"We've known for a while that we have the biggest buying show on a per-hour basis in the country, but this year was fantastic," said Frank Robinson, BMA's forest products vp. The show is open for about 17 hours over a 2½-day stretch.

• Tom Ledford, manning Black & Decker's booth, said the average order being placed by dealers with his company at the show was "around $4,500," and he estimated that 75% of the business B&D writes through BMA was transacted during this show. "I'd say 80% of the dealers who stop in our booth are placing orders," he said, adding that B&D was offering extended dating terms to retailers ordering $10,000 or more in products.

• "We had one guy come into our booth and order 90 cases of locksets, 36 to the case," said Jim Connelly of National Lock as an example of the orders this Rockford, Ill.-based vendor was writing. "We're seeing the decision-makers here who are ready to buy, and the show is very professionally run for them and us."

Connelly also noted that the various cash and pricing incentives dealers were offered served as catalysts for the accelerated buying at the show. "Dealers know they can get rebates and dating terms here, so they hold off placing orders until the show, which is fine with us because it usually means they'll be purchasing in large quantities."

BMA's Snyder told *NHCN* that an estimated $500,000 worth of "spiffs" were redeemed by dealers at the show, and noted that the cash bonus was part of the total package being offered. "When a dealer comes to the show and is given special pricing, 60 to 90 day dating, and a cash discount on top of it, he's got to buy something," said Snyder, with obvious pleasure.

Some retailers, like White of Woodbury's, discounted the effects incentives had on their chains' buying decisions. "We're more interested in establishing long-term relationships with the vendors here," he said. On the other hand, Keith Weber, lumber buyer for the independent Crissey Fowler in Colorado Springs, Colo., admitted that "spiffs" from suppliers stimulated his company to buy more goods.

"If you can strike enough of the right deals, you can pay for your trip to the show," said Weber, who was walking the floor with his wife.

"Dealers will scratch and claw and hold out as long as they can to get to the best deal, and this is what we'd expect of them," said BMA's Robinson, whose division was offering cash "spiffs" of between $10 and $1,000, depending on the size of the order.

While incentives made the show all the more attractive to independent retailers, the sheer amount of business available from this show, and the way the business is conveniently funneled through BMA, were seen as plusses by a number of vendors.

"The big advantage for us to sell through BMA is central billing and the protection you get against bum accounts," said Mike Scorti, co-owner of Miami-Carey, the bath fixture and accessories supplier that was exhibiting for the first time at the "Independent's Days" show since breaking off from the Jim Walters Corp. last year to become a private firm.

Scorti said he was "impressed with the show" and added his company was writing a lot of business. He also saw the show as most beneficial to the smaller dealer because, "when you're sitting out there with your independent lumberyard, you need somebody to talk to. The BMA people are that somebody."

Top 10 rankings shuffle

(Continued from page 2)
in total sales with $929 million, third best on the total volume list.

While Lowe's, North Wilkesboro, N.C., had a 38% rise in total volume to $1.431 billion, the highest in home center history, the 238-store chain benefited more from new home construction that from DIY growth last year. Still, DIY sales were up 27% from 1982 to $724 million.

Wickes was in Chapter 11 bankruptcy proceedings for the full year, but it still made minor strides ahead in home center sales, according to *NHCN* estimates.

In 16 fewer stores, the 285-unit chain, including Wickes Lumber and Builders Emporium outlets, did $805 million in total volume, 55% or $443 million with consumers for a fifth place ranking in the Top 10.

Suth nd Lumber jumped from No. 7 on the list in 1982 to No. 6 last year, ahead of 84 Lumber.

The Kansas City, Mo.-based company, with 82 units at the close of 1983, seven more than a year earlier, did $426 million in DIY sales, 90% of its total volume of $473 million in 1983. The chain's DIY sales were ahead of 1982's figure by 20%.

Hechinger maintained its eighth place ranking in terms of DIY sales by virtue of a $307 million year. The Landover, Md.-based company was expected to benefit from a very strong fourth quarter and the addition of seven new stores in 1983.

Rickel leaped over both Scotty's and Ernst Home Centers, 1982's No. 10 home center chain, with better than 20% growth in sales to $275 million despite the addition of only two stores during the year. The South Plainfield, N.J.-based chain, No. 9 on the 1983 list, numbers 36 units.

Scotty's, Winter Haven, Fla., had 1983 calendar year sales of $399 million, about 68% or $271 million of it with consumers. The 105-store chain showed a 20% increase in DIY volume from 1982 to rank No. 10 on the list.

Lumbermen's hastens Oregon expansion

(Continued from page 3)
Wash., unit with its 10,000 sq. ft. of display plus an equal amount of storage. This store opened in February 1981.

The Clackamas, Ore., store will have 35,000 sq. ft. of display space and 30,000 sq. ft. of storage, making it far larger than other Lumbermen's units. However, chain officials expect future stores to be more on the size of the Redmond facility.

Although the Clackamas store is in a building that had been out of use for some time, future stores are all expected to be newly built. While locations for future stores have not been announced, Knudsen indicated that the chain looks for locations that have at least 100,000 people within a radius of five miles.

The Redmond unit has from 15,000 to 20,000 stock keeping units, a level that compares with that carried by previous Lumbermen's stores and which the chain expects to have in future stores as well. The store has some $750,000 worth of inventory.

Lumbermen's expects the Redmond store will sell from 40% to 60% of its merchandise to consumers, as do other stores in the chain.

Knudsen said the Redmond store, which sits on a five-acre plot, will probably generate some $9 million to $10 million in sales by the time it reaches maturity in about three years. This will make the store a significantly better performer than older Lumbermen's outlets, which have done about $3 million to $4 million annually.

The grand opening of the Redmond store, scheduled for March 9, was preceded by the distribution of 400,000 copies of a 48-page advertised tab, distributed through a combination of newspapers and direct mail. Homes in the Portland area received the tab in late February, while those in the Redmond area received the tabs in early March. Special offers included in the tab are good through the end of this month.

Expected to be included in the grand opening celebration were give-aways of some 200 prizes, as well as demonstrations of products such as wood stain, ready-to-assemble furniture, barbecue grills and chain saws.

An important part of the new Redmond store is a drive-through facility which has three 36-ft. drive aisles, each with two 12-ft.-wide loading lanes and one 12-ft.-wide passing lane. The facility has two double-sided cantilever racks and one single sided, all of which are up to 200 ft. long. The facility's roof is 22 ft. high, while forklifts are stocking merchandise to a height of 16 ft. inside.

Included in the drive-through are materials such as lumber, building materials, and some sand and gravel and concrete. Boards up to 20 ft. in length will be handled through the facility.

During the coming year, Lumbermen's will monitor the success of the drive-through and will most likely include the concept in future stores.

One of the most important factors contributing to the chain's decision to install a drive-through was the success achieved over the past 12 months with a similar facility at Spenard's outlet on Tudor Road in Anchorage, Alaska.

Spenard's reported that from 450-500 cars pass daily through its drive-through, which operates from May-October. The chain plans to include the concept in all of its future stores.

"The use of a drive-through brings the warehouse and yard into a consumer shopping capability," said Knudsen. He added that the concept is part of a larger Lumbermen's strategy of improving merchandising through better signing and displays.

The drive-through will be open during regular store hours, which are 7:30 a.m. to 8 p.m. weekdays, 8 a.m.-6 p.m. Saturdays, and 9 a.m. to 4:30 p.m. Sundays.

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Payless paces TV ad spending

(Continued from page 3)
back their reins on TV promotions.

In fact, BE, the Irvine, Calif., chain which had been a perennial spending leader for television ads over the past several years, dropped down to fourth place from first this year, whereas the Atlanta-based Home Depot, which grew to 19 stores from 10 in 1983, jacked up its TV ad budget 177% to $2.51 million and climbed into the third slot on the TVB rankings.

As evidence that the larger home center chains in general were directing more of their ad monies to television, National Lumber, the 13-unit Santa Ana, Calif., chain, dropped three notches to sixth place this year, despite having increased its TV ad budget 22% to $1.69 million.

All told, nine home center chains spent over $1 million on television last year, compared with only four in 1982, and another two companies—Hechinger and Ole's Home Centers—also hovered around the $1 million mark.

Leading this year's pack was the Kan as City, Mo.-based Payless, which added the highly promotional Lumberjack chain to its fold last year. In total, the chain spent $5.6 million on television in markets where it operates "Payless," "Furrow" and "Lumberjack" units, a 220% jump over 1982.

These increases are even more remarkable when viewed against the 3,181.6% increase in television advertising to $1.3 million Payless expended in 1982 over 1981 (excluding the Lumberjack stores).

It appears that as the company continues to expand primarily by "clustering" more stores in existing markets (as in Dallas, Denver, Phoenix and Houston), television advertising will become even more important in developing customer awareness of those units.

The largest percentage increase among the 15 top advertisers this year was seen at Angels, which showed a 2,593% gain in TV expenditures to $614,000 for its stores in the Los Angeles and Phoenix markets.

Angels is part of the 52-unit W. R. Grace's western regional division in City of Commerce, Calif., which spent another $400,000 on TV ads last year in Denver, west Texas and New Mexico, where it operates Cashway and Handy Dan units.

"We will be making a bigger commitment in Phoenix in 1984, and possibly in Denver," said Lucia. He explained that the huge ad expenditure increase this year reflects the basic "philosophy" of the division's current management

Ironically, the expenditures for television ads for the Handy Dan units in Dallas and Denver, which ranked 15th on TVB's 1982 list, were not even in the top 20 this year. Vendors and market sources told *NHCN* earlier this year that Grace's central division in San Antonio, Tex., which operates most of the Handy Dan units as well as Handy City and House Works, had been directed by Grace's New York headquarters to discontinue television advertising briefly. This could not be confirmed with company officials, but the drop in ranking for the Handy Dan chain could suggest a temporary halt in television ad expenses.

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MERCHANDISING FEATURE:
High-end paint sundries surge—pp. 35-51

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National
Home Center News ®

Vol. 10, No. 8 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | April 9, 1984

BE opens whse unit

Tests cluster store concept

By Brad Altman
NHCN West Coast editor

TUSTIN, Calif—Treading on the heels of DIY dealers that have blazed the warehouse path, Builders Emporium has opened its first warehouse home center in this Orange County community.

The 50,000-sq.-ft. BE outlet is being called a super store—not a warehouse—but its concrete floors, 7-ft.-high racks with extra stock on top and the store's lack of a drop ceiling epitomize the warehouse retailing formula.

Chain officials are characterizing the new unit as a prototype that could be duplicated in the Los Angeles-Orange County markets, where the Irvine, Calif.-based retailer has more than 40 of its 58 stores.

Wickes shows a profit, Page 2

BE/Wickes execs (l.-r.): Martin Bocola, Jeff Chanin and Anthony Swies at new "super store." NHCN photo

The day before the Tustin store's grand opening, March 16, BE opened its first store in nearly two years—a 25,900-sq.-ft. facility on La Cienega Boulevard in Los Angeles. BE was planning to open its third unit of the year in Inglewood on April 15. Sunnymead, Calif., was the site of BE's last opening—in June 1982.

Besides the warehouse look, BE's super store is different from its conventional units in two significant ways: it has an expanded lumber and building materials emphasis and it has no lawn and garden department.

The outlet is a retrofitted Wickes Lumber at Edinger Avenue and the Newport Freeway—a seven-acre site shared with an existing Nurseryland garden center. BE is contractually prohibited from selling green goods and related prod-

(Continued on page 74)

Channel launches builder sales plan

Lower pricing strategy implemented chainwide

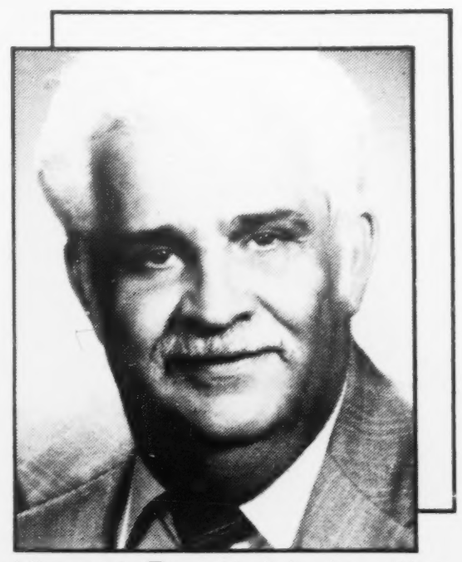
By Greg Puchalski
NHCN senior editor

WHIPPANY, N.J.—Channel Home Centers, traditionally a 100% DIY company, is taking aim at contractor and commercial sales in its marketing areas through the development of a new store-level program, company officials have announced.

The W. R. Grace-owned company has tapped 25-year Channel veteran Vincent Franzini to head its effort to attract the professional customer. Franzini has left his position as vice president and divisional merchandise manager for lumber and building materials to become vice president, contractor and commercial sales.

Meanwhile, in an apparent move to solidify and expand its DIY base, Channel officials confirmed that the 98-store chain has gone chainwide with a lower pricing strategy which was initially unveiled when Channel debuted in the Washington, D.C., area last year (*NHCN*, Sept. 26, 1983).

"It is clear that we went into Washington with a different pricing strategy," vice president and general merchandise manager William Fredericks told *NHCN*. "We have been pleased with it there and we're using the same approach elsewhere."



Vincent Franzini is heading Channel's efforts in the contractor and commercial areas as vice president, contractor and commercial sales.

The move comes as Rickel Home Centers, Channel's chief competitor in New Jersey, has been promoting price as a drawing card in recent months and has implemented a "We won't be undersold" policy which offers a customer an additional 5% off a lower advertised price on an identical item.

Regarding Channel's con-

(Continued on page 74)

Bowater rises in Shreveport, La.; chain's 1st store outside Texas

By John Caulfield
NHCN senior editor

SHREVEPORT, La.—Bowater Home Centers opened its fifth warehouse unit, and first outside of Texas, on March 15 in this city of about 190,000.

The chain will also be operating one, and possibly two stores in Baton Rouge, La., by this summer. It has signed a lease on a 79,000-sq.-ft. former Woolco unit and, according to president Ralph Dillon, is evaluating a second site to be leased for a fall opening.

Baton Rouge, the state's capital with a city population of about 213,000, could become a hot home center market soon. *NHCN* has learned that at least one other warehouse chain is assessing the market for possible entry this year.

More immediately, Bowater's newest store is a 79,000-plus-sq.-ft. Woolco unit located on the corner of 70th St. and Mansfield Highway. Its opening came only two weeks after Bowater began operating a 79,900-sq.-ft. unit in its headquarters city of Plano, Tex.

These two stores incorporate several of the merchandising "refinements" the chain has enacted since opening its first stores in August of last year.

Dillon told *NHCN* that, with these stores being approximately 4,000 sq. ft. larger than Bowater's Mesquite, Richardson and Arlington, Tex., stores, about $200,000 worth of products have been added to the new units' mix.

"We've expanded some of our basic assortments but have not added any new product groups," he said. In the new stores, greater product depth can now be found in the lawn and garden departments, and the lumber and building materials section—which currently accounts for about one-third of Bowater's total sales—has had its inventory beefed up.

In these stores, the company is experimenting with different-colored aisle signing for

(Continued on page 73)

Monsanto ruling regarded only partial retailer victory

By Ken Rankin
Washington correspondent

WASHINGTON—While the Supreme Court last month upheld a $10.5 million Federal resale price maintenance award against Monsanto Chemical, the ruling was not a clear-cut victory for supporters of tough legal restrictions against resale price maintenance activities.

NEWS ANALYSIS

In a move certain to be welcomed by home center operators, the Court simultaneously dismissed Justice Department efforts to resurrect Fair Trade-style resale price fixing activities against retailers.

However, the Court also established what some Washington antitrust experts have described as a "higher standard of evidence" for proving resale price maintenance conspiracies, a development that could make it more difficult for retailers and wholesalers to win price fixing cases against manufacturers in the future.

The immediate effect of the Court's 8 to 0 ruling (*Monsanto v. Spray-Rite*, No. 82-914), was to sustain a $3.5 million antitrust award against Monsanto (which is trebled under Federal Law), and to uphold a lower Federal court's decision that the manufacturer "conspired" with a number of its herbicide distributors to engage in an illegal resale price fixing scheme.

The victim of that conspiracy—Spray-Rite, a price-cutting wholesaler of herbicide products—was discontinued as an authorized distributor by Monsanto more than a decade ago, following complaints from other distributors about the wholesaler's discount pricing practices.

Monsanto's appeal of that lower court ruling hinged on the manufacturer's claim that Spray Rite was discontinued for reasons other than those complaints.

The Federal appeals court rejected that argument, concluding that the termination of a price cutter following, or "in response to" complaints from other distributors is sufficient evidence of the existence of a

(Continued on page 74)

NEWSBREAKS

DORF TO HOW. Bill Dorf has joined HomeOwners Warehouse, Margate, Fla., as vp/gmm, from Rickel, where he held a similar post.

LINDSLEY OPENS FIRST WAREHOUSE. Lindsley held a grand opening March 18 for a 40,000-sq.-ft. warehouse-style home center in St. Petersburg, Fla., the chain's first warehouse store.

INSIDE:

BUSY BEAVER exits Columbus, Ohio, but sets its sights on Youngstown market ..... Page 2
THE HOME TEAM begins to fill out its management staff with some former Hechinger and K mart execs ..... Page 3
SCOTTY'S HARDWARE STORES' early success prompts the demise of the chain's no-frills Thrifty store test ..... Page 19
HOME CENTER INDUSTRY LEADERS packed Arnie's in Chicago for 9th annual *NHCN* Home Center Show party Pp. 20-21
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SECURITY HARDWARE locked up the bulk of sales in the hardware & tool category of a recent industry survey Page 53
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NHCNews Briefs

Industry Update

Wickes posts $28.4M net profit

SANTA MONICA, Calif.—Wickes turned its first profit in three years during its fiscal year ended Jan. 28.

The company recorded $24.8 million in net profits in the period on a 9% increase in volume to $2.9 billion compared to a net loss of $248.7 million on sales of $2.6 billion in the previous fiscal year.

The net income figure included income from continuing operations of $9.5 million after a $143.4 million loss in the previous year, income from discontinued operations of $3.7 million against a loss of $105.2 million a year ago and an extraordinary credit for operating loss carryforward of $11.6 million during the year.

In the fourth quarter, Wickes reported net income of $1.5 million on $730.1 million in sales against a net loss of $15.9 million on sales of $673.3 million a year ago. The most recent fiscal fourth-quarter's income included a loss from continuing operations of $741,000, income from discontinued operations of $765,000 and a credit for operating loss carryforward of $1.5 million.

Rickel readies Baltimore entry

BALTIMORE—Rickel Home Centers hopes to debut its first store in this market in the latter part of this year.

Combined with the opening of six Channel Home Centers in the area this year (*NHCN*, Feb. 27), the arrival of Rickel will intensify competition here. Hechinger and Scott's each operate six stores in the market while The Hardware Fair with 10 outlets and Inner Harbor Lumber & Hardware with two serve as the prime DIY competitors.

Although Rickel plans only one store here immediately, chairman Stanley Abramson said it was a "safe presumption" to expect other Rickel outlets to join its first Maryland store in the Baltimore area.

Abramson said no decision has been made as to whether the new Rickel will feature a warehouse format. Rickel has begun converting its Warminster, Pa., unit to the concept in what may be a test. Officials would not comment on the conversion.

Sears P&H stores expand mix

CHICAGO—Sears has added outdoor power equipment for the first time to the lawn and garden tool mix carried in all its five Paint & Hardware Stores.

Lawn mowers, electric trimmers and hedgers and, where practical, chain saws, are now being sold at these "convenience" units, along with manual lawn tools like rakes, hoes and shovels which had been carried since the stores first opened.

"We're still experimenting with the hardware mix in these stores," said Sears' home improvement vp John Parsons in an interview with *NHCN* just before he delivered an address at this year's National Home Center Show here.

Parsons also noted that Sears has closed its Upland, Calif., store and replaced it with a Paint & Hardware unit in the Orange County city of Garden Grove. He conceded that Sears was "just not ready yet" to roll out the Paint & Hardware store concept into other markets.

"When we opened these stores, we didn't soft soap them, so, of course, we had certain details in merchandising that needed to be worked out, and still do," he said. "We're getting a wealth of knowledge out of the stores by doing exit interviews with customers."

When asked about the Paint & Hardware stores' sales, Parsons would say only that they have been "good." He did note, though, that customers have had a hard time spotting the units from the highway, and Sears is now developing pylon signing for the stores to give them higher visibility.

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Vol. 10, No. 8 April 9, 1984

Busy Beaver leaves Columbus; targets Youngstown with whse

COLUMBUS, Ohio—Busy Beaver is closing its three five-year-old stores here and turning its attention to setting a firmer base in another Ohio market, Youngstown, later this year.

Jack Fagen, president of the 24-store chain, said late last month that his company was in the process of liquidating inventory and selling two of the Columbus stores and subleasing the third to nonhome center retailers.

While Busy Beaver leaves its Westernmost market, it is turning eastward for the opening this fall of its largest store, a 55,000-sq.-ft. unit featuring a significant amount of warehouse racking and major appliances, in Boardman, Ohio, a Youngstown suburb. While doing this, Fagen said, the chain will convert its other Youngstown unit, a 45,000-sq.-ft. outlet in Niles, Ohio, including a similar format.

The stores will be the first in the chain to have warehouse-type retailing and the second and third to carry appliances, according to Fagen. The Busy Beaver in Erie, Pa., is the only other store to offer the brown and white goods now.

In an unrelated move, former Wickes Europe executive Charles Bender has succeeded George Summerell as executive vice president.

Concerning Columbus, where the chain had 25,000-sq.-ft. units, each with 7,500 sq. ft. of adjacent outdoor nursery area, Fagen said, "We weren't satisfied with the results in Columbus. They were profitable stores but did not comply to our profit objectives."

He noted that competition, which has heated up in the market since Busy Beaver arrived in 1979 and promises to intensify when Homeowners Warehouse opens two units here this summer (*NHCN*, March 12), was not a factor in the decision.

Since 1979, however, Central Hardware has added four stores, Payless Cashways three and Southerland Lumber two to go along with its other unit in the market.

Busy Beaver is not the only major DIY chain to enter and leave the market in recent years. Wolohan Lumber opened its prototype store in the Columbus suburb of Hilliard, Ohio, in 1981 but early last year sold the store to Sutherland because it did not generate sufficient contractor business, officials said (*NHCN*, Feb. 14, 1983).

In the Youngstown market, the combination warehouse/conventional units will show its lumber and building materials on the racking and officials are considering putting such other

(Continued on page 73)

Housing starts exceed 2 million mark for first time since 1978

NATIONAL REPORT—February's seasonally adjusted total housing starts topped the two million mark for the first time since 1978 with 2.19 million units, an increase of 11.2% over January's revised figures.

February was a month of "abnormally warm weather particularly in the Northeast and North Central regions, as a result more houses were started" than is usual for the time of year, said Dean Crist, economist with the National Association of Home Builders.

The Northeast region increased its housing starts by 53% over January to 296,000 units and the North Central region was up 4.7% to 333,000 units seasonally adjusted.

The South reached its highest level since March 1973 with 1.1 million units, seasonally adjusted, a 20% increase over January.

The West, however, dropped 15% recording 459,000 housing starts, seasonally adjusted, leveling off after its unusually high level of building activity in January.

Single family housing starts reached their highest level since December 1978 accounting for 1.36 million units seasonally adjusted or 62.5% of all housing starts in February.

Over the last four months single family housing starts averaged 63% of all housing starts underlining their importance to the building supply industry.

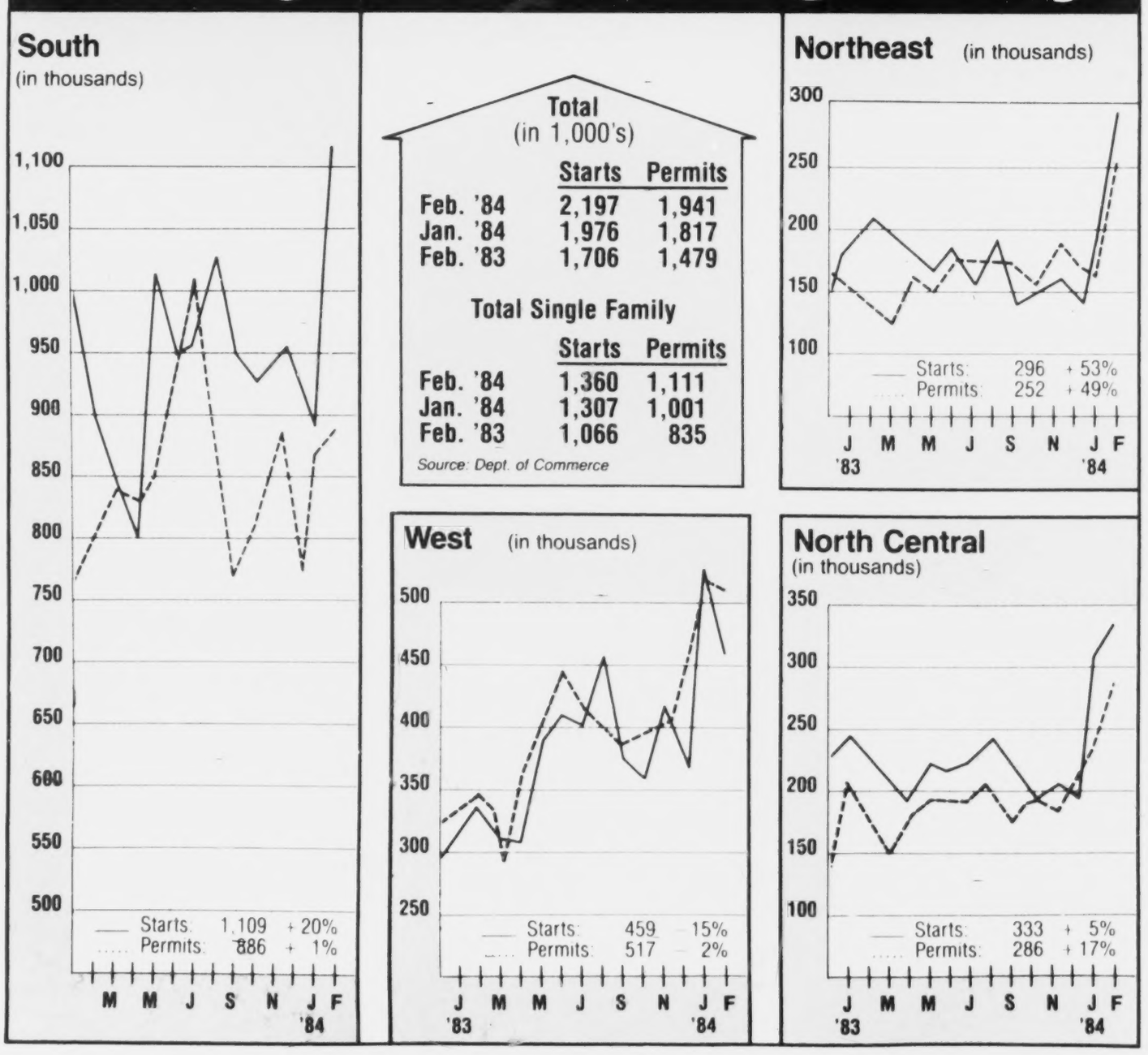
This performance is similar to last year when they averaged 64.1% of all housing starts between November and February.

Total building permits, an indicator of future housing activity, were also strong, up 7% from the previous month to 1.94 million units seasonally adjusted, with single family permits up 11% to 1.11 million units.

Economists were doubtful that these high levels of housing starts and permits could be sustained over the next months.

Building permits rose in three regions with the largest increase in the Northeast up 49% over January to 252,000 units, seasonally adjusted.

February home-building activity



February's seasonally adjusted housing starts reached 2.19 million units, an increase of 11.2% over January's revised levels. The South recorded its highest starts since March 1973 with 1,109,000 units. Building permits were strong up 7% to 1.94 million units, with increases in the Northeast, North Central and South regions.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	1/28-4th qtr.	$ 78,977	$ 56,421	40	$ 5,144	$ 3,718	38
	1/28-Year	309,499	241,261	28	16,243	11,744	38
The Home Depot	1/29-4th qtr.	82,495	30,245	173	3,249	1,293	151
	1/29-Year	256,184	117,646	118	10,261	5,315	93
Payless Cashways	2/25-1st qtr.	197,549	148,076	33	2,605	3,431	24
Rickel Home Centers	1/28-4th qtr.	67,506	54,230	24	—	—	—
	1/28-Year	275,000	223,700	23	—	—	—
Wickes	1/28-4th qtr.	730,117	673,314	8	1,488	15,926	—
	1/28-Year	2,875,085	2,638,215	9	24,794	248,682	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 3/21	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		39⅜	47⅜	34½	21
Edison Bros. Stores (NYSE) [Handyman, Homer's]		38¾	46¾	35¾	9
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		6⅞	19½	6⅜	—
Forest City (AMEX)	A	15⅝	20⅛	10⅛	11
	B	15⅜	20½	13	11
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		41¼	50⅜	38⅛	13
Lowe's (NYSE)		20	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		6¾	14	4⅞	18
Pay 'N Pak (NYSE)		14	24	12¾	12
Payless Cashways (NYSE) [Furrow]		17¾	34½	16½	14
Scotty's (NYSE)		14⅛	20	14	12
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		19⅝ —	19¼	12⅛	—
Standard Brands Paint (NYSE)		20¼	28¾	18	12

Nasdaq—over-the-counter stocks

		As of 3/21	52-week High	52-week Low	P/E Ratio
Color Tile		17⅝	27⅛	13⅝	—
Hechinger	A	16½	24¼	15	—
	B	16¼	26½	14½	—
The Home Depot		18¾	31¾	14	—
Pay 'n Save		20⅝	29¼	17½	—

Over-the-counter stocks

	As of 3/21 Bid	As of 3/21 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	24	26½	25¼	16
Hines Lumber	34	—	41½	19½
Home Centers of America [units]	19¾	—	51½	13¼
Homecrafters Warehouse	15	15½	17½	12½
National Lumber	8¾	9¼	13¼	8¾
Scotts Seaboard [Scott's]	3¼	3¾	1	5
Wolohan Lumber	5	5⅛	10⅛	4⅞

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FINANCIAL NEWS

Fiscal '83 sees Wolohan's net income pass $1M mark

SAGINAW, Mich.—Wolohan Lumber posted its best financial results since 1979 with 1983 net income of $1,348,000 on sales of $112.4 million, company officials said.

The 35-store chain's net income exceeded the $1 million mark and its sales passed the $100-million level for the first time in the 1980's. Earnings were 111% better in 1983 and sales were up 26% from 1982, according to officials.

Wolohan president David F. Wallace said officials were happy with the improved results, "but recognize the need for a higher return on sales."

Earnings were favorably affected by the sales gain but adversely affected by an increase in the last-in, first-in (LIFO) adjustment of $720,000 compared to a credit of $170,000 in the previous year. This effect, in part, reduced gross margins from 24.7% last year to 24.1% this year.

The company also reported a change in the method of recognizing a gain on the sale of a closed retail center from the full accrual method to the installment method.

The gain, related to the sale of a Cherry Grove, Ohio, store in the second quarter of 1983 to a nonhome center retailer, is now being recognized as payments are received. As a result, second-quarter net income required an adjustment from $879,000 to $725,000, officials said.

A LIFO adjustment as well as start-up costs at new stores cut into fourth-quarter income somewhat, officials noted.

Fourth-quarter net profits totaled $202,000, down 4% from the same period in 1982, on sales of $28.4 million, up 14% from the prior year.

The LIFO adjustment totaled $150,000, up from a $435,000 credit in the fourth quarter a year ago, according to corporate controller David G. Honaman. This helped drop gross margins from 26.7% in the last quarter of 1982 to 24% in the last quarter of 1983.

New-store costs were related to the acquisition of the former Dunlap's Home Improvement Centers in Columbus and Madison, Ind. (*NHCN*, Dec. 12, 1983), and the relocation of Wolohan's flagship store in Saginaw to a 25,000-sq.-ft. facility, Honaman noted.

Lowe's abruptly halts slowing sales growth

NORTH WILKESBORO, N.C.—The slowdown in sales growth lasted only one month at Lowe's.

Following significantly lower sales gains of 21% overall and 15% to builders in January than in previous months (*NHCN*, March 26), Lowe's recorded a 41% overall sales increase to $98.4 million in the four weeks ended March 2, officials reported.

The sales growth at the 238-store chain stemmed from a 50% increase in volume to builders, who accounted for $56.3 million in sales, or 57% of the total, and a 32% rise in sales to DIYers to $42.1 million compared to year-ago figures.

Color Tile's volume up 37% in February

FORT WORTH—Sales at Color Tile stores opened for at least a year increased 33% in February, company officials said.

The increase helped boost February's overall volume by 37% to $24.3 million at the 600-plus store chain compared to February 1983, they noted.

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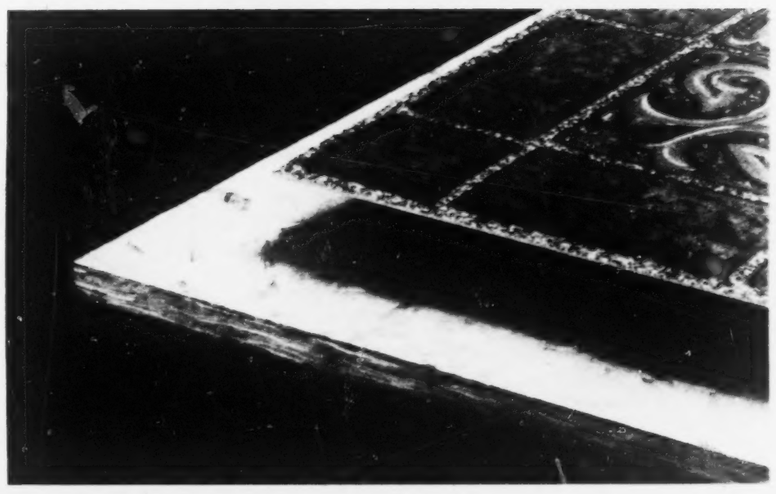

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LUMBER REPORT

Power retailing will require hi-performance wholesaling

By Hawk Furman
Special to NHCN

Lumber wholesaling will change dramatically in the next decade. Changes in the industry, with giant home center chains getting even larger and lumber manufacturers consolidating, are forcing wholesalers to respond. And only the strong among them will survive.

In this respect, the lumber industry is following the tracks of the food industry. In the northeastern United States in the 1950's, there were countless independently owned food stores and there were 1,200 food brokers. These brokers allowed thousands of manufacturers to reach these stores.

Today, chains dominate the food industry and there are only a handful of food brokers serving 90% of the grocery trade in the Northeast.

For lumber wholesalers to survive as the same dynamics begin to apply to this industry they must add value for the manufacturers and retailers. The lumber wholesaler must be able to provide services more efficiently and at less cost than the manufacturer or retailer can provide for themselves.

According to distribution expert George Webster, by 1990, "wholesaling will be sparked by high performance management where the weak will be eliminated and the small will survive by guts and determination."

The battle for wholesaler survival will involve several key factors including computerization, warehousing, re-manufacturing, transportation and marketing aids.

Computerization

The lumber wholesaler of the 1980's will use the computer in hundreds of ways to improve efficiency and lower costs. A salesman will be able to instantaneously quote an inquiry by using his computer terminal to search out stock status on railcars, in warehouses, reloads and port facilities. Shipment will be tracked more accurately. Order entry will allow for more error-free invoicing and help lower overhead. Transportation routes and rates will flash in seconds on CRT's to insure the fastest and/or least expensive routes. In the not too distant future, home center store manager will order fill-ins by phone into the wholesaler's computer. There will be a "routinization" established that will cut costs, save time, and insure consistency of supply at a low cost.

Warehousing

Warehousing is a very costly venture. Home centers that operate these warehouses, besides having carrying costs, have to deal with obsolescence, depreciation, pilferage, breakage and storage costs, insurance and taxes. Central warehousing by home centers will continue to disappear as high performance wholesalers take over the function. The wholesale distribution yard will allow the purchasing agent to control his inventory and select the product mix he desires. Lead time will be cut down and dollars will be freed for more productive use. High performance wholesalers of the 1980's will have scheduled on-time deliveries like food brokers today. Gone will be the past practice of saying "it will be there sometime in the next two weeks."

'High performance wholesalers of the 1980's will have scheduled on-time deliveries like food brokers today. Gone will be the practice of saying, "it will be there sometime in the next two weeks." '
—Hawk Furman

Re-manufacturing

Lumber manufacturers are geared to volume. Their goal is to lower unit costs. This presents a problem to the retailer who often wants precision trims or special patterns. Wholesalers will be doing more secondary manufacturing of wood products to meet the need of the home center for short board programs and for ripping, resawing and special pattern stock requirements. The remanufacturing capability will allow the retailer to take dead inventory or "dog items" and turn them into salable products by trimming, planing, resawing or ripping.

Transportation

Deregulation has opened the door for those who move volume to have clout. Large, high performance wholesalers will use this clout to provide more reliable delivery of material at the lowest cost. Wholesalers will maintain small fleets of trucks at their distribution sites to insure on time delivery and meet the need of the home centers in an emergency.

Marketing aids

The high performance wholesaler of the 1980's will work very closely with home center personnel on marketing. They will provide educational seminars on new and old products for the purpose of getting the retail salesmen to feel more comfortable in selling these products and meeting the needs of the consumer. End-use application of products will be stressed so salesmen can help customers visualize how their projects can be best completed.

Wholesale personnel will man retail booths, both at homeowner and contractor trade shows. The professional wholesaler will provide marketing ideas and merchandising aids such as: point-of-purchase brochures, posters, displays, ad slicks and cooperative advertising allowances. Some will even produce radio and television advertising for their customers.

Gone are the glory days of the lumber transit wholesalers. Price is no longer the clincher in the marketing of commodity lumber and lumber products. Price actually ranked fifth in priority to other items including: quality, good delivery and consistency of supply in a recent home center survey. In the 1980's and 1990's, there will be a better working relationship between the high performance wholesaler and the high performance home center chain, which will result in more satisfied customers and a better bottom line for the home center.

The Lumber Report
Every Issue
Only in ***Nat'l***
Home Center News

FUTURES

Two weeks ended March 15, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	183.50	175.50	181.80	176.90	18	240.50	170.60
May	201.90	193.60	201.90	194.30	3,746	245.50	182.00
July	211.80	202.70	211.80	203.60	2,066	252.50	190.30
Sept.	211.20	204.00	211.20	204.90	1,001	236.00	193.30
Nov.	209.80	203.30	208.50	204.20	904	228.80	196.00
Jan. '85	212.30	207.00	211.80	208.40	148	221.30	202.30
March	215.00	212.00	215.00	212.50	66	220.00	209.30

Total Contract Vol. (Through 3/15): 18,232 — Previous Two Weeks: 25,136
Total Open Interest (As of 3/15): 8,054 — Previous Week: 8,601
Cash Price: $184.24 — Previous Week: $179.34 — Year Ago: $179.34

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March '84	198.00	195.00	197.30	196.00	5	225.00	183.00
May	201.50	197.00	199.30	199.30	214	208.50	187.50
July	205.70	202.00	203.30	202.80	65	210.00	190.50
Sept.	208.00	204.50	206.30	206.00	12	212.50	199.00

Total Contract Vol. (Through 3/15): 139 — Previous Two Weeks: 644
Total Open Interest (As of 3/15): 296 — Previous Week: 269
Cash Price: $196.00 — Previous Week: $196.98 — Year Ago: $190.12

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	279.9	280.4	235.8

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 15.
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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WASHINGTON DC 20014

MERCHANDISING FEATURE:
Dealers sharpen tool prices—pp. 21-36

National
Home Center News®

Vol. 10, No. 9 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 23, 1984

Gypsum price up 8%; supply shortages hurt builders and retailers

NATIONAL REPORT—Homebuilders and remodelers are about to encounter their fifth price jolt in roughly a year from the nation's gypsum wallboard manufacturers, following a new round of price increases earlier this month averaging approximately 8%.

The increases over the past year have raised the average price of gypsum in the United States from $85 per 1,000 sq. ft. a year ago, to $185 as of late last month.

Adjusting to another round of price hikes is only half the problem for retailers and their customers, however. Limited supplies are lengthening the time it takes to build a new home by as much as a month in some parts of the country, according to the National Assn. of Home Builders, and causing retailers to scramble for sources of supplies.

"We're buying everything in sight," said Pat Farrah, executive vice president of The Home Depot. "In our four Atlanta stores, we have a combined [inventory as of late March of] 40,000 sheets. We got caught short in November

(Continued on page 53)

Lanoga adds Peavey stores to UBC; Nagle named prez

By John Caulfield
NHCN senior editor

SEATTLE—Lanoga Corp., which operates the United Building Centers, Spenards and Lumbermen's chains, has agreed to purchase all of the remaining building supply units operated by Peavey Co., the Minneapolis subsidiary of ConAgra Inc.

The agreement, involving an undisclosed sum of cash, was signed at noon on March 28, and brings to Lanoga the assets and inventory of 23 retail stores, two trusses, window and door plants and two distribution centers in Detroit Lakes, Minn., and Huron, S.D. The stores reportedly did $49.8 million in sales last year, of which 67% were DIY transactions.

The units, formerly called Peavey Building Supplies, Fish Building Supplies and Thunderbird, will be incorporated into Lanoga's 100-store United Building Centers chain, headquartered in Winona, Minn., which last year had estimated sales of $115 million.

Just prior to the announcement, *NHCN* also learned that chain executive vice president Daryl Nagle was named president of UBC, replacing Robert Johnson, effective April 1. Johnson, who has been associated with UBC since 1946, and has served as president of the chain since 1977, announced his retirement last month *(story, page 6)*. Whether UBC will change the name of any new stores was not immediately known, although officials for

United Building Centers will incorporate the 23 Peavey retail stores into a combined 123-unit operation with new UBC president Daryl Nagle at the helm. NHCN photos

Lanoga indicated the five Fish stores in Wisconsin will retain their names, and their operation will be supervised by John Lochner, out of Middleton, Wis. Lochner had been Peavey's regional manager and he is the one Peavey official known to be making the move to UBC.

Spokesmen for both companies said that, because Peavey and UBC have similar stores in overlapping markets, the deal is subject to Federal Trade Commission and Justice Department review under the Hart-Scott-Rodino Act governing antitrust. Neither party thought this would be an obstacle to the acquisition. According to Lanoga president, Ted Tanase, the acquisition gives UBC instant access to approximately 70% of the markets in which the chain was looking to either expand or acquire locations.

Buying Peavey represents another step in the aggressive expansion path Lanoga began traveling only three years after it was incorporated as a holding company in 1978.

In January 1981, it purchased five Superior Building Supply stores to add to its Spenard Building Supply chain based in Anchorage, Alaska. About a year later, the company bought the five-unit Lumbermen's of Shelton, Wash., its first acquisition that was decidedly consumer-oriented in its merchandising. And in February 1983 Lanoga added to the Lumbermen's chain by acquiring eight units from Williamette

(Continued on page 4)

Evans wins debt deferral; lenders O.K. retail spinoff

MIAMI—Evans Products has won a deferral of its 1984 debt obligation from its lenders who have agreed to reschedule the company's $60 million loan payment originally due March 31.

The lenders have also made an about-face and have officially consented to sanction Evans' plan to spin off its retail group into a separate company. Up until a few months ago, when they freed up the retail group's assets from being used as collateral for Evans' secured debt (*NHCN*, March 12), the banks were reportedly throwing up serious roadblocks to such a spinoff.

With their attitude toward the development of a separate company apparently changed, the lenders have also agreed to let Evans use some of the proceeds from the recent sale of three of its properties to lend to the retail group for seasonal working capital.

These concessions came simultaneously to the release of Evans' fourth quarter and annual financial results, which showed continued strength from its retail sector. The 345-unit retail group, based in Braintree, Mass., saw its sales for the fourth quarter, ending Dec. 31, rise 24.4% to $237,997,000, with operating income increasing 12.1% to $17,960,000. For the full year, the group's revenues were 17.4% ahead of 1982 figures to $927,758,000 (of which 85% were DIY sales), with operating income of $69,609,000 standing

(Continued on page 54)

NEWSBREAKS

DEPOT TO BATON ROUGE. The Home Depot will open a store in Baton Rouge, La., later this year, the first time the warehouse chain has planned to enter a market with a single unit.

HELLO GOODBUYS. Mr. Goodbuys, Philadelphia, will nearly double its store total after entering into agreements for three more stores in its existing markets this year. The four-store chain already operates two units in Philadelphia, one in Baltimore and one in Union, N.J.

INSIDE:

BOWATER PLANS to spin off its North American operations into a new public company that will include its Texas-based home centers ..... Page 2
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HANDYMAN REBOUNDED in 1983 to post operating earnings of $8.9 million after income had plummeted to $2.1 million in 1982 3
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Gambles stakes future success on supplying more DIY chains

By Brad Altman
NHCN West Coast editor

MINNEAPOLIS—Gambles Stores, one of Wickes Cos.' least-publicized divisions, is being quietly transformed into what company officials based here say could become a $200 million revenue generator by 1988.

That optimistic scenario is based on the presumption that Gambles continues to be successful in the expansion of its distribution services substantially beyond its current reach of some 550 Gambles units which are independently owned and operated and rely on Gambles to provide them with 85% of their stock keeping units.

Gambles' strategy, in essence, is to become a major distribution force aimed particularly toward medium-sized chains.

Nearly 60 years old, Gambles expects a 50% increase in sales this year to $90 million from last year's $60 million sales, "which

'We're looking to become the most efficient, lowest-cost distributor of products in America.'

—Wayne Waldera,
Gambles president

is a combination of new business with chain accounts and growth with the independent" stores, said Paul Hylbert, a Wickes senior vp with operations responsibilities for Gambles, which was acquired in the Gamble-Skogmo merger.

As recently as 1976, Gambles oversaw more than 1,100 independent dealer-owned and company-owned Gambles stores located primarily in smaller towns in the Midwest and Rocky Mountain States. By last year, only 712 dealer-owned stores remained, and Wickes sold or shuttered its remaining company-owned 20 units as part of a drastic refocus of the business, including the closing

(Continued on page 53)

NHCNews Briefs

Industry Update

Latest Payless buyout complete

KANSAS CITY, Mo.—Payless Cashways completed its proposed acquisition of Somerville Lumber late last month.

The merger agreement had been jointly announced on March 9, and, in accord with the agreement, 2,348,000 shares of Payless Cashways common stock were exchanged for all of the capital stock of Somerville (*NHCN*, March 26). The closing price of Payless Cashways common stock on the New York Stock Exchange on March 29 was $17.875. The total value of the transition was approximately $42.0 million.

Payless Cashways now has 139 retail facilities in 17 states.

Pay 'N Pak names vice chairman

KENT, Wash.—Pay 'N Pak has named Marshall J. Weigel to the newly created post of vice chairman of the 101-unit company headquartered here.

Chairman David J. Heerensperger told *NHCN* that Weigel, 63, has been a Pay 'N Pak director for 14 years. Weigel is president of a privately held real estate investment firm called Merchandising Factors Inc., San Francisco, Calif.

Heerensperger said that Weigel "did scout out and do the groundwork" on the company's anticipated expansion into the Greater San Francisco Bay Area. But Weigel's vice chairmanship is intended "mostly as a backup in case something happened to me, and as a recognition of his long service as a director," Heerensperger said.

Weigel, who lives in Hillsborough, Calif., has a wide-ranging business background, including several years as head of Bank of America's merger-acquisition department. He has owned an advertising agency and spent "many years" in the investment banking business where he specialized in corporate finance, Heerensperger said.

Promos ignite Scotty's sales

WINTER HAVEN, Fla.—Scotty's credits the success of an Air Florida promotion (*NHCN*, March 26) for contributing to record sales of $49.6 million for the five weeks ended March 31. Sales were up 26% over the same period a year ago, chairman and cfo James Sweet said.

The Air Florida promotion provided a "2-for-1" air fare with each $100 purchased from Scotty's during March. Sweet also attributed March sales gains to a trainload insulation, roofing and ceiling tile sidewalk sales promotion March 3.

For the 39 weeks ended March 31, sales were $310.5 million, a 23% gain over the year-earlier period. Scotty's opened a new hardware store in Zephyrhills, Fla., March 8, and a full-size Scotty's store in Delray Beach, April 2, raising its store count to 108 units. Scotty's also operates two Surplus Units and two hardware stores.

Belknap and Concord to merge

LOUISVILLE, Ky.—Hardware wholesaler Belknap Inc., will merge with Concord Corp. after more than 90% of the 1.4 million Belknap common shares were tendered in connection with Concord's $24-per-share offering, according to Belknap spokesmen.

Concord and its sole shareholder, David A. Jones, chairman of health care company Humana of Louisville, made the offer for Belknap following a series of attempts by others to gain control of the firm (*NHCN*, March 26). Belknap's board had tentatively approved a $20-per-share offer from a group headed by chairman Jerry L. Barton before opting for the higher bid.

Jones had already owned 25% of Belknap's stock at the time of the tender offer.

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Vol. 10, No. 9 April 23, 1984

Bowater planning spring spinoff of U.S. and Canadian operations

OLD GREENWICH, Conn.—Bowater Corp., the London-based paper producer whose debt last year stood at $378 million and which suffered a net loss of $80 million, plans to spin off its United States and Canadian operations into a new company that will seek a listing on the New York Stock Exchange.

The American operations here, which had sales of $703 million and pretax earnings of $87.1 million last year, includes the five-unit Bowater Home Centers chain, based in Plano, Tex. According to the chain's president, Ralph Dillon, the proposed spinoff would have no adverse effects on his company's future expansion plans.

Initial offering

The new North American company, to be known as Bowater Inc., will offer 25% of its stock this spring in the United States to raise between $133 million and $163 million. That would value the entire unit at between an estimated $530 million and $650 million.

Its remaining shares will be distributed to current holders of the British parent's stock. Bowater said it plans to raise the equivalent of $59 million through an offering to shareholders, the proceeds of which to be used to reduce its debt.

The spinoff, or "demerger" as it is called in England, will continue to be one of the largest suppliers of newsprint in the United States, with its two mills in Tennessee and South Carolina having combined capacities of 809,000 metric tons last year.

New appointment

Bowater Inc. will be headed up by Anthony P. Gammie, who will serve as its president and chief executive officer. He has been with the parent company for 28 years, and had been managing director of Bowater United Kingdom Ltd. before transferring to the United States in 1979. He had been named Bowater North America's president on Jan. 1, 1983.

The spinoff, in its current configuration, is expected to rank No. 350 on the Fortune 500 list of companies.

The parent company decided to break off its overseas interests into a separate company because its transatlantic structure made the subsidiary subject to a much higher tax rate than its American competitors. According to R. D. McDonough, Bowater's chief financial officer, the move was made to satisfy the company's investors with a higher dividend than was usual in the United States.

The restructured Bowater Corp.—to be renamed Bowater Industries PLC—would be made up of its tissue mills in Britain and its packaging and paper operations in Britain and overseas, which in 1983 generated sales of $1.49 billion and pretax earnings of $74.5 million.

Overall the corporation posted sales of $2.35 billion last year, with its post-tax earnings rising 32% to $58 million. However, Bowater took a $138 million extraordinary charge for anticipated losses suffered from the proposed sale of its Corner Brook mill in Newfoundland, and when that charge is taken into account, Bowater shows an $80 million net loss, compared with earnings of $37.1 million in 1982.

Home resales even in February; NAR report lowers '85 outlook

NATIONAL REPORT—Home resales remained relatively even in February and predictions for the rest of 1984 are optimistic, but 1985 is one of lowered expectations, according to a recent report by Dr. Jack Carlson, chief economist and executive officer of the National Association of Realtors.

In his report, "Outlook for the Economy and Real Estate," Carlson sees existing home sales reaching close to three million units by the end of 1984 before dropping to 2.7 million in 1985 and 1986.

Similarly, new single-family home sales will remain strong in 1984 with 660,000 units, but fall to 580,000 in 1985 and 590,000 in 1986.

In February, existing home sales leveled off to a seasonally adjusted 2.87 million units, from January's revised figure of 2.89 million, according to the NAR. Nationally, the median sales price for a single-family home was $71,900 in February—the same as the previous month.

Downturn noted

While Carlson predicts that total housing starts, at a seasonally adjusted rate, will exceed 1.8 million during the first quarter of this year, he expects starts to fall to 1.7 million by the end of the year.

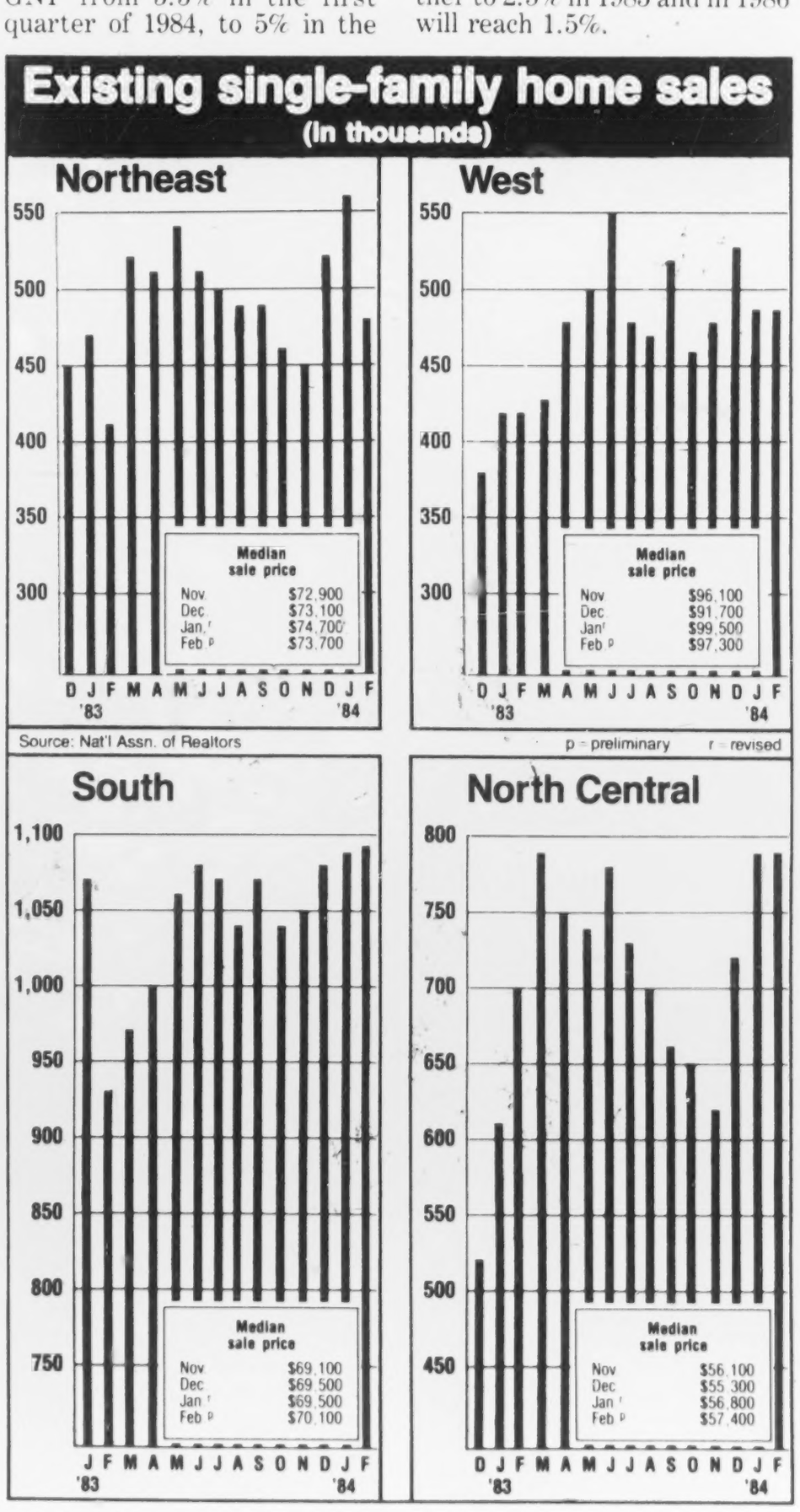
Strong home resales and housing starts will be accompanied by a further drop in interest rates to 13.5% for a fixed rate mortage, and 12% for adjustable rate mortgages (ARMs) by the third quarter of 1984, he predicted.

Further considerations

However, interest rates are expected to rise to 14.5% for fixed rate and 13.5% for ARMs by the second quarter of 1985, which would be their highest levels since 1982, said Carlson.

The report sees a rise in average household income of nearly 3.5% over this year, after adjusting for inflation, but this will slow to a 2.5% increase in 1985 and be less than 1% by 1986.

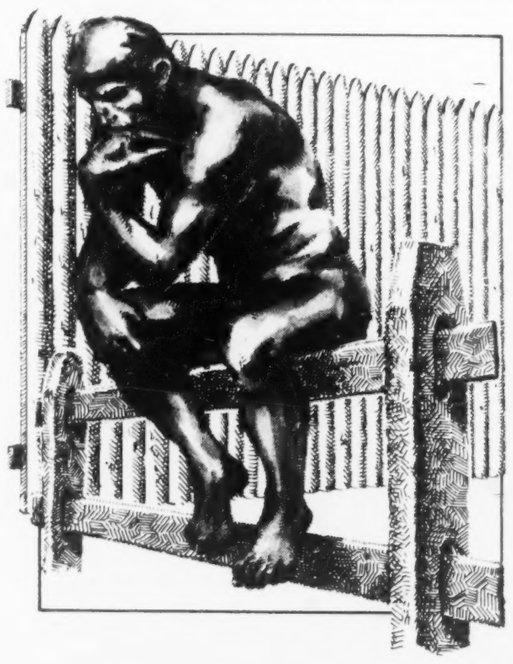
It sees a steady drop in real GNP from 5.5% in the first quarter of 1984, to 5% in the second, 4% in the third and down to 3% by the end of the year. Real GNP will fall still further to 2.5% in 1985 and in 1986 will reach 1.5%.


Existing single-family home sales
(In thousands)
Northeast
West
South
North Central
Median sale price
Nov $72,900 $96,100 $69,100 $56,100
Dec $73,100 $91,700 $69,500 $55,300
Jan r $74,700 $99,500 $69,500 $56,800
Feb p $73,700 $97,300 $70,100 $57,400
D J F M A M J J A S O N D J F
'83
'84
Source: Nat'l Assn. of Realtors
p = preliminary r = revised

Existing home sales in February leveled off to 2.87 million units, seasonally adjusted, from January's revised figures of 2.89 million units, according to the National Association of Realtors. Nationally, the median sales price for a single-family home stabilized at $71,900—the same as in January—dropping in the Northeast and West regions, but rising in the South and North Central regions.

"WHEN YOU THINK OF EASY-UP FENCE THINK OF THE FURMAN SYSTEM"

Another in a series of great thoughts from the Thinker.



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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	12/31-4th qtr.	$ 33,583	$ 24,784	36	– $ 133	$ 595	—
	12/31-Year	137,261	97,182	41	2,052	807	154
Handyman	12/31-Year	239,800	200,300	20	8,900**	2,100**	324
Hines Lumber	12/31-4th qtr.	61,979	48,372	28	596	– 1,274	—
	12/31-Year	249,652	180,533	38	8,828	–31,611	—
Lowe's	3/2-4 wks.	98,400	69,600	41	—	—	—
Michigan General	12/31-4th qtr.	113,009	25,053	351	– 6,289	– 3,378	—
	12/31-Year	192,032	87,211	120	– 328	– 8,358	—
National Lumber	12/31-4th qtr.	29,694	25,317	17	153	388	– 61
	12/31-Year	114,308	97,943	17	2,208	1,654	33
Pay 'N Pak	2/29-4th qtr.	53,504	38,705	38	2,239	1,377	63
	2/29-Year	250,040	187,338	33	10,025	6,368	57
Standard Brands Paint	1/29-4th qtr.	66,684	59,454	12	3,318	1,202	173
	1/29-Year	296,814	260,489	14	18,575	13,352	38

*$ in thousands
**Operating profit; results for the San Diego-based company includes Homer's in Texas

Source: Company reports

STOCK PRICES

		As of 4/2	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		40½	47⅜	34½	21
Edison Bros. Stores (NYSE) [Handyman, Homes]		38½	46¾	35¾	9
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		6½	19½	6⅛	—
Forest City (AMEX)	A	15½	20⅛	10⅜	—
	B	15½	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		40¾	50⅜	38⅜	12
Lowe's (NYSE)		19¾	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		6⅞	14	5¼	19
Pay 'N Pak (NYSE)		14⅛	24	12¾	13
Payless Cashways (NYSE) [Furrow]		17½	34½	16½	14
Scotty's (NYSE)		13⅞	20	13⅝	12
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		22	22½	12⅛	—
Standard Brands Paint (NYSE)		21	28¾	18	13

Nasdaq—over-the-counter stocks

		As of 4/2	52-week High	52-week Low	P/E Ratio
Color Tile		17	25⅛	13⅝	—
Hechinger	A	15¼	24¼	15	—
	B	15¾	26½	14½	—
The Home Depot		17½	31¾	14	—
Pay 'n Save		21⅛	29¼	17½	—

Over-the-counter stocks

	As of 4/2 Bid	As of 4/2 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	22	25¼	16
Hines Lumber	34	35¼	41½	21
Home Centers of America [units]	18½	—	51½	13¼
Homecrafters Warehouse	15	15½	17½	12½
National Lumber	6¼	6½	13¼	6¼
Scotts Seaboard [Scott's]	3¼	3¾	1	5
Wolohan Lumber	5¼	5⅜	10⅛	4⅞

Pay 'N Pak net earnings climb 57%, hit $10M

KENT, Wash.—Sales at Pay 'N Pak stores opened three years or more increased 25.7% during fiscal 1984 ended Feb. 29, reflecting in part the chain's year-long remerchandising program completed in its fourth quarter, company officials indicated.

The store-for-store sales increase helped Pay 'N Pak complete its fiscal year with a net earnings gain of 57% to just above $10 million on a sales rise of 33% to just above $250 million compared with fiscal 1983.

In the fourth quarter, the 101-unit company saw net earnings increase 63% to $2.2 million on a sales gain of 38% to $53.5 million from the prior year's fourth quarter, according to officials.

In another move, the chain began converting some units to warehouse-style retailing and plans to have 20 such units in operation, mostly in the San Francisco Bay Area, by the end of fiscal 1985 (*NHCN*, March 26).

DIY sales spur 40% retail gain at Hines Lumber

CHICAGO—Increased DIY volume helped to spark a nearly 40% gain in Edward Hines Lumber's retail activity to $83.3 million last year, company officials announced.

The increase contributed to an overall 38% rise in Hines' sales to $249.7 million from 1982 as the company's wholesale and retail segments both benefited from improved housing activity.

Hines Lumber was profitable during the year as net income from continuing operations reached $1.8 million after a $3.9 million loss in 1982.

Total net income reached $8.8 million including a gain of $5.5 million from a downward adjustment of reserves provided in a 1982 special charge involving the disposition of manufacturing operations.

In 1982, Hines' net loss totaled $31.6 million including operating losses from discontinued operations of $7.9 million and a special charge of $19.9 million for estimated losses on the disposal of discontinued operations.

In the fourth quarter of 1983, Hines Lumber recorded net income of $596,000, including net income from continuing operations of $325,000, after a net loss of $1.3 million in the same quarter a year ago. The company's sales in the period rose 28% to almost $62 million compared to a year ago.

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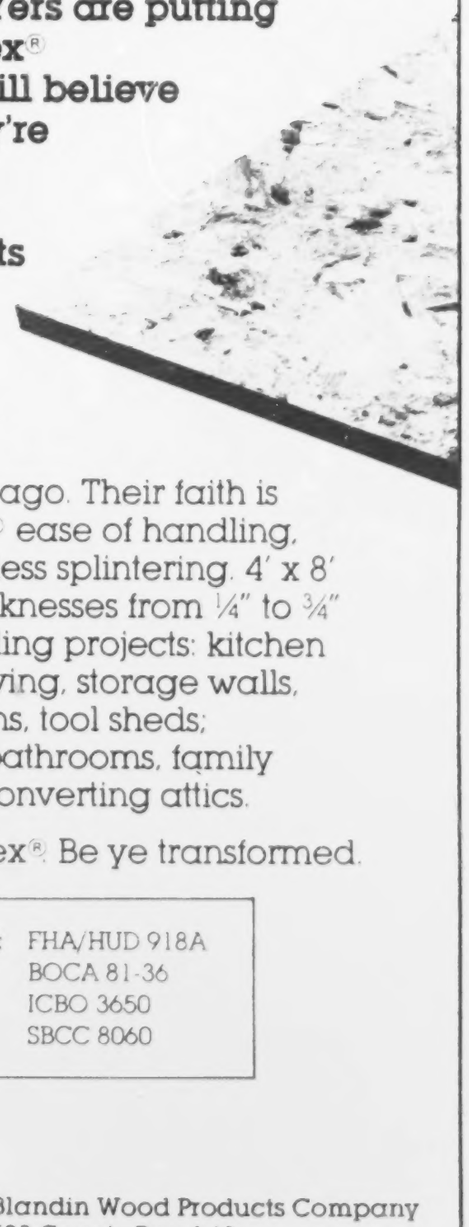

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LUMBER REPORT

WWPA launches 5-year program to increase lumber consumption

PORTLAND, Ore.—A five-year promotional effort to increase American lumber consumption is being launched by the Western Wood Products Assn., which has budgeted $2.3 million for the program, in the first year alone.

The goal of the campaign is the addition of 2.5 billion board feet of lumber consumption by the end of the fifth year. Many areas of lumber use will be targeted, starting this spring with wood floor systems and foundations; commercial construction and residential patios and decks.

In the coming years of the wood promotion campaign, the WWPA also plans to stimulate residential lumber sales with a program called the "great American storage room," which will emphasize both the use of storage space in existing areas of the home as well space that can be gained by structural additions.

The WWPA hopes to stimulate an additional 281 million board feet in annual repair and remodeling demand by 1988.

The WWPA's campaign follows a strong lumber consumption year when the nation bounced back from its lowest lumber use since World War II.

United States' softwood lumber consumption in 1983 totaled 35.7 billion board feet, an increase of 25.2% from 1982's 28.5 billion board feet, according to figures recently released by the WWPA. Consumption is expected to gain another 5.4% this year to 37.6 billion board feet.

Lumber consumption for repair and remodeling rose 12.1% to 8.2 billion last year from 7.3 billion in 1982, the WWPA noted in an "outlook" that added, "The over-the-shoulder trade showed particular strength.

"Strong demand for lumber from repair and remodeling markets will continue during 1984. Even though the surge in demand has leveled, lumber used in this category should increase 1.1% to 8.3 billion board feet."

On a regional basis, lumber shipments from the Northwest were 15.8 billion board feet last year, up 26.2% from 1982. Shipments are expected to increase 6.6% to 16.9 billion board feet this year.

Shipments from the South totaled 6.7 billion board feet last year, up 11.8% from 1982. Shipments for this year are forecast at 7.1 billion board feet.

Inventories in the South totaled 1.4 billion board feet at the end of 1983, down slightly from the year before. The Northwest, in contrast, ended 1983 with inventories at 2.3 billion board feet, up 17.6% from a year earlier. Western inventories are expected to be about 2.2 billion board feet at the end of this year.

Total inventories for all regions were 4.3 billion board feet at the end of 1983 and are expected to be about 4.2 billion board feet at this year's end, according to the WWPA.

Canada's portion of American lumber consumption grew by a significant 31.3% last year to 11.9 billion board feet from 9.1 billion board feet in 1982. United States consumption of Canadian lumber as a percentage of total American lumber consumption has been growing steadily during the past few years.

In 1983, imported Canadian lumber represented 33.5% of total United States softwood consumption, up from 31.9% in 1982, 30.3% in 1981 and 29.3% in 1980. Canadian imports are expected to reach 12.4 billion board feet in 1984, a 3.5% gain.

Among the promotional efforts the WWPA is preparing to help dealers are double-truck four color ads promoting wood; literature on outdoor living and decks and a seminar program run by the trade association's recently expanded field services staff.

FUTURES

Two weeks ended March 29, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May '84	193.30	186.00	186.70	192.20	4,130	245.00	182.00
July	205.60	198.40	199.70	203.60	2,470	252.50	190.30
Sept.	207.80	202.60	204.90	205.80	1,106	236.00	193.30
Nov.	205.80	201.80	202.60	203.90	1,005	228.80	196.00
Jan. '85	210.20	206.20	207.00	209.30	198	221.30	202.30
March	214.80	210.50	211.50	212.70	83	220.00	209.30
May	219.00	214.50	215.50	217.00	113	225.00	212.00

Total Contract Vol. (Through 3/29): 23,363 — Previous Two Weeks: 18,232
Total Open Interest (As of 3/29): 9,103 — Previous Week: 8,592
Cash Price: $176.40 — Previous Week: $188.16 — Year Ago: $175.42

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May '84	198.00	195.30	197.50	195.50	198	208.50	187.50
July	202.20	200.00	202.20	200.00	59	210.00	190.50
Sept.	206.00	204.50	206.00	205.00	12	212.50	199.00

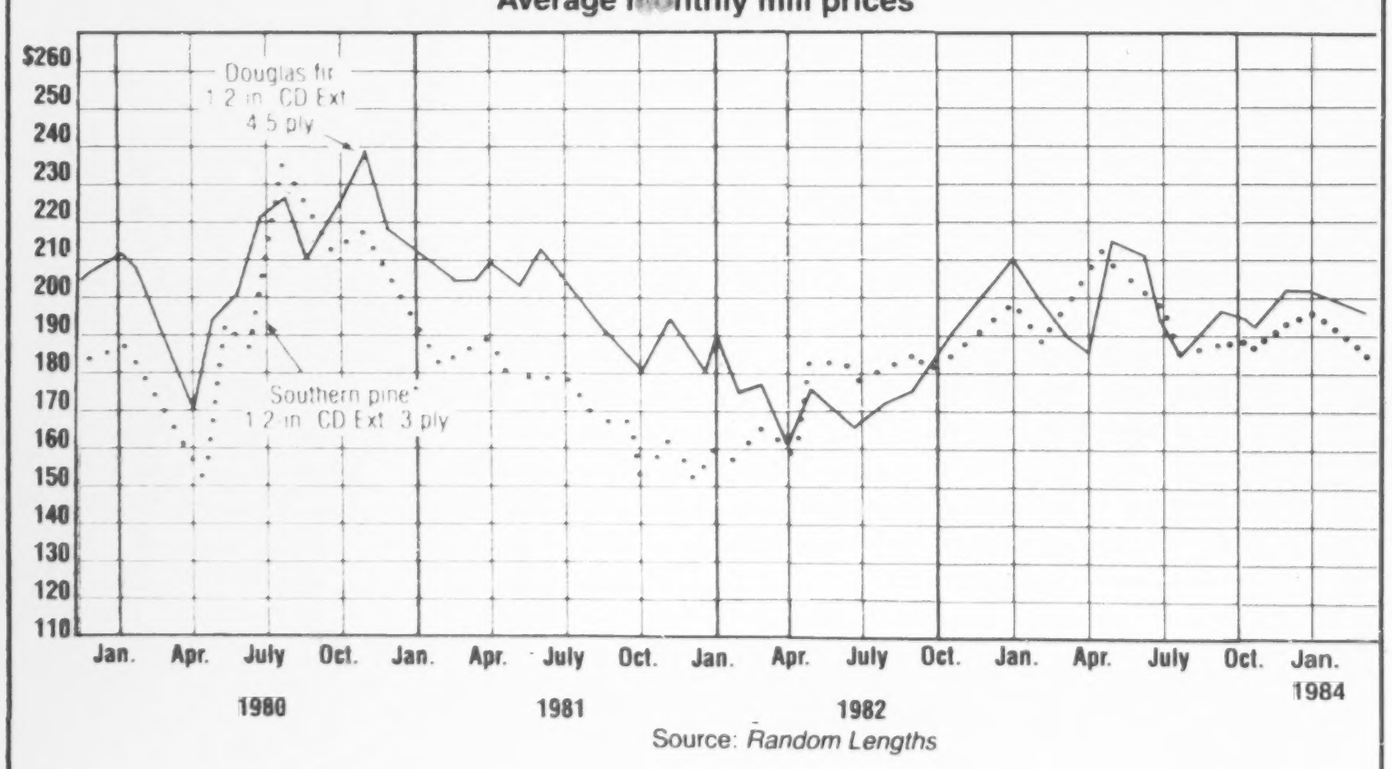
Total Contract Vol. (Through 3/29): 124 — Previous Two Weeks: 139
Total Open Interest (As of 3/29): 269 — Previous Week: 276
Cash Price: $194.04 — Previous WeeK: $196.98 — Year Ago: $181.30

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	283.0	280.6	241.2

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 29.
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Bad weather in several regions, along with concerns of interest rates edging upward weakened buying activity somewhat last month for most plywood items, causing prices to slip. The price for ½-in. Western CD ext. ⅘ had fallen slightly from $200 per 1,000 sq. ft. at the end of February, to $198 at the end of last month; ½-in. CD ext. 3-ply from the South meanwhile, fell from $188 to $182.

The NHCN Annual Report on the Home Center Industry—pp. 33-98

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National
Home Center News ®

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The New York Stock Exchange opened April 19 with a new listing, The Home Depot (HD), trading initially at 19¼. On the floor of the exchange at the opening were Home Depot executives and directors (l. to r.) Ron Brill, Pat Farrah, Milledge Hart III, Berry Cox, Arthur Blank, Bernard Marcus, Ken Langone and Fred DeMatteis. NHCN photo

Warehouses come of age: 147 stores by year end

By Kenneth Schept
NHCN executive editor

NATIONAL REPORT—Next month will mark five years since the first two Home Depot stores opened on Friday, June 22, 1979, in Doraville and Decatur, Ga., northern suburbs of Atlanta.

Almost four years following their debut, there were still only eight warehouse stores in the country at the end of 1982: four Home Depots in Atlanta and four in south Florida. Then the gestation period of the warehouse store concept ended abruptly.

By the end of 1983, 11 chains were operating 47 warehouse stores in 17 markets stretching east to west from Long Island to California and north to south from Indianapolis to south Florida, for an explosive, one-year store count growth rate of almost 500%.

Before 1984 is half over, there should be another 46 warehouse stores for a total of 93 run by 19 chains in at least 37 markets.

And by the end of the year, *National Home Center News* forecasts that at least 21 chains will be operating an estimated 147 warehouse stores in 45 markets.

Looking at the growth phenomenon another way, warehouse store space, which totaled only 250,000 sq. ft. at the end of 1982, increased by approximately 1,120% to 3.1 million sq. ft. at the end of 1983. This year, the amount of warehouse storage space is expected to more than triple.

Perhaps an equally telling sign that the warehouse home center concept has finally come of age is the listing April 19 of The Home Depot on the New York Stock Exchange, after being traded over-the-counter since first going public in August 1981.

The heightening respectability of warehouse home centers, reflected in Home Depot's achievement, probably contributed to the propagation of the format, but it was not the only factor.

(Continued on page 35)

Lindsley shows new vitality in multistore conversions

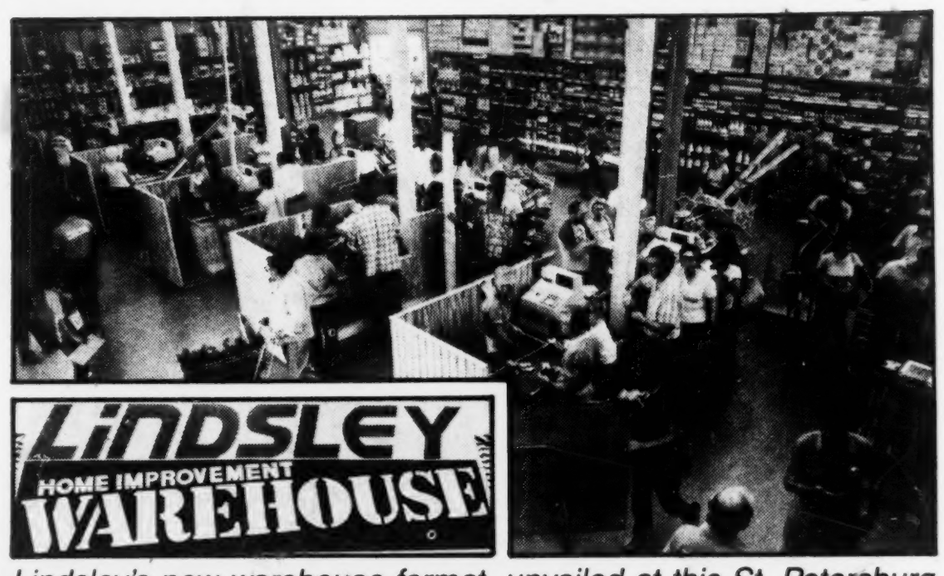
By Phillip P. Perry
NHCN associate editor

ST. PETERSBURG, Fla.—Lindsley, the 43-store Florida home center chain operated by Evans Products, is suddenly showing a new competitive vigor, as it readies for the grand reopening of its fourth "home improvement warehouse" to hit this market in the past two months.

The latest reopening, scheduled this month in Pinellas Park, follows the conversions of stores in Clearwater and Seminole which reopened late last month, and in St. Petersburg, which reopened in March. All four stores were closed earlier this year for over a month and totally refixtured.

Gone are the 6-ft. gondolas and in their place are 12-ft.-high H-frame racks. The refurbishing work collectively cost $1.2 million, according to a company spokesman, in addition to a virtual doubling of inventory throughout the stores.

The changes reflect similar moves already under way at Evans' Grossman's and Moore's chains, where conversions have reportedly tripled weekly sales during grand reopening periods, and are expected to at least double annual same-store sales.



Lindsley's new warehouse format, unveiled at this St. Petersburg unit in March, has helped more than double store sales for the Miami-based chain. NHCN photos

The new store format unveiled here, however, represents the first major change in direction for Lindsley in a number of years. In addition to the refixturing, Lindsley's St. Petersburg store is reportedly the first in the chain to be experimenting with a full-line outdoor nursery department as well as a price lookup system, designed by ICL, which developed point-of-sales systems for Grossman's.

The changes also serve as the first clear signal that Lindsley, once Florida's dominant home center chain, is finally reacting to the onslaught of Scotty's and The Home Depot. One Evans official acknowledged competition has intensified, but countered that Lindsley's 1983 sales had increased in line with the Evans retail group—about 17% over 1982—to $155 million, according to *NHCN* estimates.

(Continued on page 100)

Home-Pro's name periled by suit; Pro Hardware cites infringement

By Suzanne Chazin
NHCN field editor

CORPUS CHRISTI, Tex.—Home Centers of America is the target of a lawsuit which, if successful, would prevent the company from using the name Home-Pro for its stores anywhere in the country.

The suit, filed by Connecticut-based hardware distributor, Pro Hardware, asserts that the use of the word "pro" is a trademark infringement.

Last month in Corpus Christi, a Federal district court issued a preliminary injunction against Home Centers of America asking that the word "pro" be stricken from all of the company's operations.

"People are putting pro and pro together," claims plaintiff Pro Hardware.

Pro Hardware insists the injunction is not intended to curb competition from Home-Pro. "We've never had any desire not to have competition," says Pro Hardware's attorney, Cam Cuthrell. "But we want that competition to be fair. Pro wants to ensure that customers won't confuse us."

Pro Hardware is not seeking damages at this point, but Cuthrell says he suspects "if this case goes to permanent injunction, we will seek damages."

Home Centers chairman Frank Denny says he expects that the matter will be settled out of court. "We've had some problems with people not real-

(Continued on page 108)

1983 DIY sales leap 20%

Top 100's total sales exceed $14.6 billion

By Wyatt Kash
NHCN Editor

NATIONAL REPORT—Sales to do-it-yourselfers by the nation's top 100 home center retailers jumped 20% in 1983 while total retail sales to DIY-ers and professional accounts increased by 24%.

Fueled by the resurgence of consumer spending and new home construction, the 100 largest home center and building material retail operators saw aggregate sales surpass $14.6 billion in 1983 compared to $11.8 billion the year before. An estimated 71% of that volume last year came from DIY/cash and carry business.

In a ranking of retailers on the basis of DIY sales only, the top 100 chains, led by W. R. Grace, Payless Cashways, Evans Products and Lowe's, saw DIY sales increase to $10.6 billion, up from $8.9 billion the previous year.

The sales increases came from only a collective handful of net additional stores, with the top 100 DIY chains operating 4,259 stores at year-end 1983, only 55 more than at year-end 1982. *National Home Center News* estimates those same 100 operators will open at least 230 new stores in 1984.

These are some of the findings from *National Home Center News'* "Annual Report of the Home Center Industry," which this year, for the first time, ranks the leading home center and building material retailers two ways: One list follows *NHCN*'s traditional measure of

(Continued on page 4)

NEWSBREAKS

ZETZMAN RETURNS. Wayne Zetzman has accepted a position with St. Louis' Eclipse Industries as senior vp-cfo. Zetzman, who had been Payless Cashways vp-finance until late last year, returns to the home center industry after a brief stint with Household International, Chicago.

INSIDE:

ADDITION OF COTTER co-op to Eagle purchase order system lends credibility to the system's industrywide potential **Page 2**
FOUL WEATHER contributed to a plunge in March housing starts throughout the country 2
HOMECLUB PLANS EXPANSION beyond its home-based southern California market 3
A REVOLT BY ITS DEALERS topples a once-promising hardware cooperative 3

NHCNews Briefs

Industry Update

Grossman leaves Evans board

PORTLAND, Ore.—Mike Grossman, president of Evan's Products retail group, has resigned from Evans board of directors along with three other Evans executive vice presidents who also served on the board.

The resignations further demonstrate the control Miami financier Victor Posner has assumed over the company. Only two board members who served before Posner became chairman, in April 1983, remain. They are R. W. deWeese, a Portland businessman and Monford Orloff, former Evans chairman, president and ceo, who has relinquished to Posner all but the title of president and coo.

Resigning along with Grossman were Peter Koehler, president of Evans' forest-fiber products group; William Finkenstaedt, president of Evans shelter group and John Felten, president of the transportation group.

It is not clear why these four resignations occurred, in March, although in the case of Koehler and Finkenstaedt, the Evans board that month also voted to divest the divisions they headed. Other circumstances may have influenced Felten's decision.

Grossman's departure, however, could follow the pattern set by Koehler and Finkenstaedt in that it might signal the imminent spin-off of Evan's retail group, which has been rumored for some time. Recently lenders have consented to the spin-off, after initial resistance (*NHCN*, April 23).

While Grossman's executives are not commenting, knowledgeable sources have previously pointed to this month as the earliest time in which—finances and other circumstances in place—the spin-off could occur.

Hines/Kindt takeover complete

CHICAGO—Edward Hines Lumber has consummated its proposed acquisition of seven-unit Kindt Corp., Lomira, Wis., for $8 million, according to Richard Denison, senior vice president and chief financial officer of Hines.

The combination gives Hines 32 retail outlets, all but the Kindt units essentially in the Greater Chicago market, with annual sales volume in excess of $120 million. In 1983, Hines' retail sector totaled $83.3 million in sales while Kindt did about $40 million in business. About half the volume at both chains came from DIYers.

Denison said Hines officials plan no major changes for its new acquisition at the outset and expected management at Kindt to remain intact. However, executive vice president Bruce Barter has left the company, forcing a realignment of the chain's top management.

Courtesy converting whse to store

MOUNT PROSPECT, Ill.—Courtesy Home Centers has acquired a 70,000-sq.-ft. warehouse, located on six acres of land in Skokie, Ill., which the company expects to convert into the chain's fifth store, as early as this September.

According to president, Joseph Ender, Courtesy will add 20,000 sq. ft. to the building for warehousing goods, and 10,000 sq. ft. of storage space under roof, leaving the original building for retail sales.

Ender said the new unit, which currently has a 30-ft. ceiling and a 250-car parking lot, would not be a warehouse store. The floors will be tiled over, he said, with the finished store reflecting the stylized image now associated with Courtesy Home Centers. He noted, however, that more merchandise, such as doors and windows previously kept in the warehouse, would be stocked on the floor.

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Due to this special NHCN *Annual Report on the Home Center Industry, the Advertising & Marketing section, Systems & Operations section and Charles Gifford's column on Home Center Marketing Strategies do not appear in this issue. They will return in the May 21 issue.*

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Vol. 10, No. 10 May 7, 1984

Cotter installs Eagle computer; lends added credibility to system

By Phillip M. Perry
NHCN associate editor

CHICAGO—Cotter & Company, the $1.5 billion hardware wholesale cooperative serving 7,000 stores nationwide, joined the Eagle computerized purchase order transmission system last month.

Because Cotter is the nation's largest such cooperative and possesses a vast purchasing power, its decision to join Eagle potentially gives the system a new dimension of credibility in the home center industry.

"We are in a significantly better marketing position now," said W. Barry Moore, manager of computer services at the American Hardware Manufacturers Assn., which began offering the Eagle system to manufacturers, distributors and retailers early last year.

"A lot of our manufacturer prospects have said that there are just not enough of their customers on Eagle to warrant their joining the system," added Moore. "Just about all of those vendors are doing some business with Cotter."

Both Cotter and Federated Co Op, the Canadian wholesaling outfit which also joined Eagle in April, expect the system to speed both transmissions and confirmations of purchase orders, ultimately reducing costly inventory levels and incidents of stock outs.

The first purchase order transmitted by Cotter was for 108 stock keeping units of tools. Transmitted to the Cooper Group, Raleigh, N.C., the order specified that the tools be sent to Cotter's distribution centers in Manchester, N.H., and Pomona, Calif.

The Eagle system represents a natural enhancement of Cotter's present computerized communications system. The company's 11 nationwide distribution centers operate online during regular business hours in a nationwide network. The system allows immediate access to information about stock levels and outstanding order levels, at all locations, facilitating the transfer of merchandise where needed.

"We see the Eagle system as a step into the new era," said a spokesman for Cotter who requested anonymity. "Certainly, any kind of electronic communications shortens the overhead," he added, referring to the ability of the system to offer the company greater accuracy in ordering and faster access to product availability at vendor locations.

Both features, he explained, ultimately help in tightening inventory control, reducing the level of stock carried and insuring the correct merchandise is made available to stores.

"We have encouraged all of our distributors to join Eagle, and we are happy Cotter has done so," said George Huegerich, manager of sales service, domestic, at Cooper Tools. He added that his company gets faster access to customer orders through the Eagle system, which it joined last July.

"Orders which came to us through the mail were often delayed up to five or six days," he said.

Federated Cooperative, the member-owned wholesaling company based in Saskatoon, Saskatchewan, also joined Eagle last month.

Federated, owned by 385 associations of stores located in the four western Canadian provinces, anticipates that the Eagle system will cut its lead time by up to 10%, because it will allow it to bypass the time-consuming mail system. Lead time for its hardware items currently can run as long as 25 days.

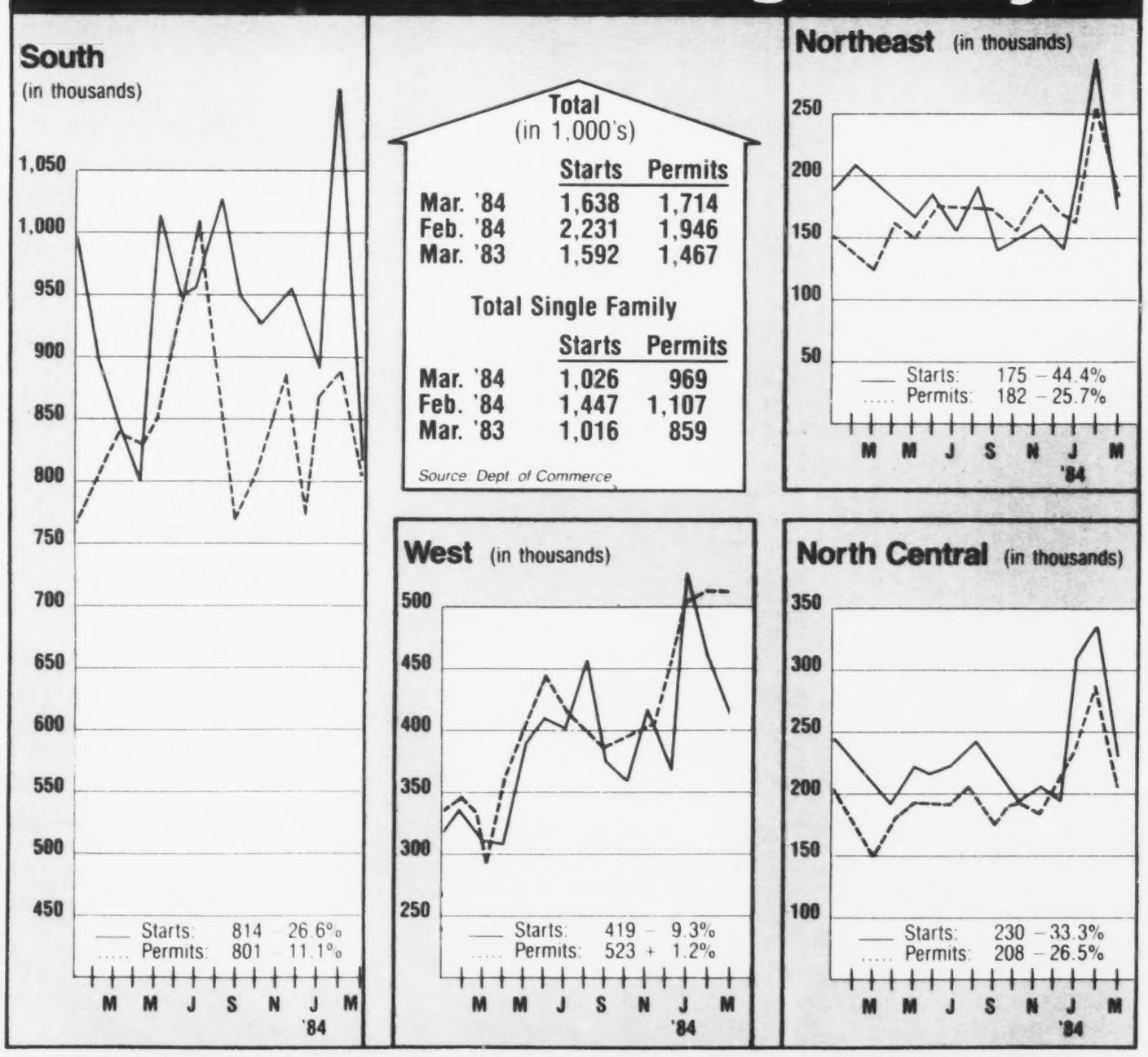
"In addition to streamlining our lead time, we expect Eagle will speed the transmission of confirmation notices from vendors," said Garry Fairbrother, hardware manager at Federat-

At the current time, only 12 of Federated's 800 or so vendors are either signed on, or testing with, Eagle.

"If we get to the point where 50 of our key suppliers are signed onto Eagle, we will feel it has become successful," said Fairbrother.

> *'A lot of our manufacturer prospects have said that there are just not enough of their customers on Eagle to warrant their joining the system. . . . Just about all of those vendors are doing some business with Cotter.'*
> —**W. Barry Moore,**
> *American Hardware Manufacturers Assn.*

March home-building activity



March housing starts plunge; foul weather cited

March's seasonally adjusted housing starts slumped to a rate of 1.6 million units, a drop of 27% from February's five year high. The Northeast had the greatest decrease with 44.4% and then the North Central region with 33.3%. All regions were down. Building permits fell by 17.5% from February to 1.7 million units, seasonally adjusted. However, starts remain 2.9% above last year's figures and permits are up 16.8% from March 1983. The unusual strength of February's starts combined with poor weather in March were blamed for the decline.

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Industry's Top 100 surpass $14.6 billion in total sales

(Continued from page 1)

DIY sales activity, by ranking home center chains on the basis of DIY/cash and carry sales; the second list, being introduced this year, ranks home center and building material retailers on the basis of total retail sales, and includes 15 companies not on the DIY list.

The *NHCN* Top 100 lists reveal several points of interest. For instance:

- The top 10 home center operators in the industry collectively accounted for a little more than half of the total sales of the top 100 companies.
- The top 10 DIY retailers operated a total of 41 million sq. ft. retail selling space (excluding storage area); the top 100 operated twice that much.
- W. R. Grace, which leads the industry in sales to DIYers, became the second company in the industry to crack the billion dollar mark in total sales, after Lowe's, which continues to lead the industry on the basis of total sales. (Wickes had surpassed the mark in 1981, but slipped below it in 1982, prior to its filing that year for Chapter 11.)
- 84 Lumber continues to be the largest chain in the industry by virtue of the number of stores it operates—384 year end. The chain also opened more (net) new stores last year (20) than any other firm in the industry.
- Home Depot grew fastest in total sales of all the chains on the top 100 list last year, at the rate of 117%; although its total sales of $256 million was eclipsed by the dollar sales increases last year of both Lowe's (up $397 million) and Payless Cashways (up $261 million.)
- The top 100 companies, on the basis of total sales generated 38% of total industry sales, of 37.7 billion in 1983, among home center, lumber and building material retailers, based on unpublished Commerce Department data.
- When compared to total retail sales of all lumber, building material, hardware and supply dealers, which rose 18% to $52.8 billion in 1983, the top 100 companies accounted for 27% of the market.

Without doubt, the sales gains of the top 100 and the industry in general say as much about how strong 1983 was for retailers as it does about how tough sales were the year before.

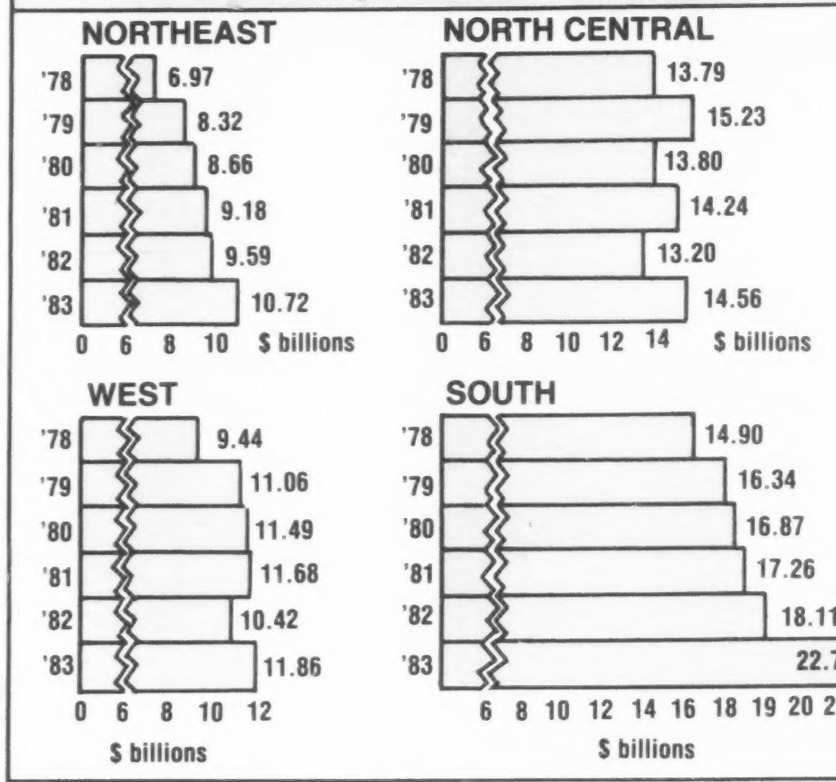
Using Commerce Department figures, *NHCN* estimates the total number of home center and retail lumber and building material outlets grew from 23,950 in 1982, to 24,600 last year.

Moreover, the vastly improved employment and personal income figures through the first three months of 1984 continue to indicate that consumers' cash flow has also improved.

As a result, sales from home center, building material, hardware and supply dealers is expected to continue to grow at better than 10% annually over the next two years, hitting $62 billion in 1984 and reaching $70 billion by 1985.

1983 dealer sales rose in all regions . . .

Retail building material, hardware supply sales



Source: U.S. Commerce Dept.

The South continues to lead the nation in sales among building material, hardware and supply dealers, which totaled $22.7 billion in 1983, up from $18.1 billion the year before. Altogether, homeowners spent $31.2 billion on additions, major replacements and alterations to their homes, and another $18.1 billion on maintenance and repairs last year.

. . . as home R, R & A spending jumped 8%

Residential repair, remodeling & alterations ($ million)

	All residential properties		
Type of construction work	1983	1982	1981
Total expenditures	49,295	45,291	46,351
Maintenance & repair	18,128	16,810	16,022
Heating & central a/c	991	836	750
Plumbing	1,684	1,799	1,870
Roofing	1,514	1,324	1,574
Painting	6,317	5,734	5,576
Siding	702	665	620
Other	6,919	6,451	5,632
Additions, alterations & major replacements	31,167	28,481	30,329
Additions to residential structure	4,739	2,641	3,164
Additions and alterations on outside property	3,859	5,423	5,303
Alterations within residential structure	11,673	10,711	11,947
Heating & central a/c	701	687	891
Plumbing	557	710	710
Remodeling	3,070	2,688	3,468
Other	7,345	6,625	6,877
Major replacements	10,895	9,707	9,915
Heating & central a/c	2,022	1,707	2,028
Plumbing	1,741	1,748	1,838
Roofing	3,579	3,780	3,352
Siding	1,917	1,351	1,517
Other	1,637	1,119	1,181

Source: U.S. Commerce Department

Correction

Peavey closed 11 of its 52 units in January 1982. The date reported in an article on Lanoga's acquisition of Peavey's building materials stores (*NHCN*, April 23, 1984) was incorrect.

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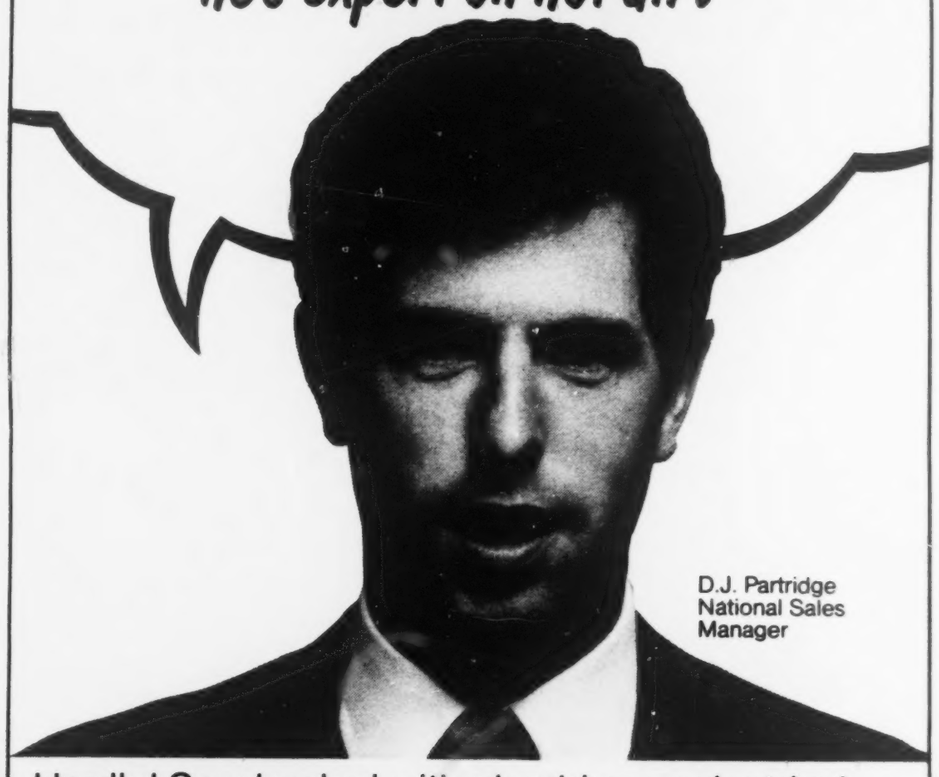

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National Sales Manager

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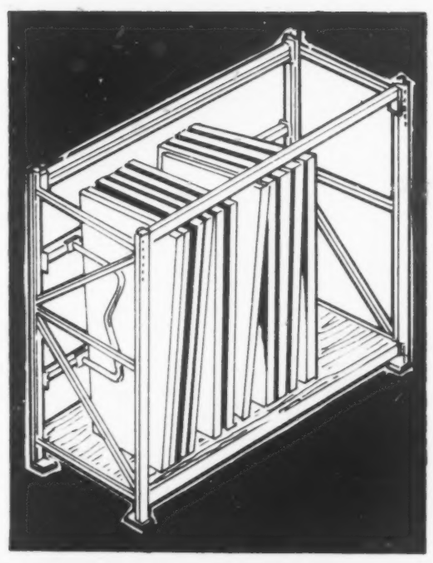

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Evans Products**	12/31-4th qtr.	237,997	191,350	24	17,960	16,019	12
	12/31-Year	927,758	790,320	17	69,609	56,262	24
Home Centers of America	2/26-4th qtr.	10,308	—	—	– 1,785	—	—
	2/26-Year	26,679	—	—	– 4,755	—	—
Lowe's	3/30-4wks.	120,800	93,500	29	—	—	—
Scotts Seaboard	1/28-4th qtr.	7,601	5,887	29	– 100	– 105	—
	1/28-Year	35,094	28,038	25	1,122	– 437	—

*$ in thousands
**Results from retail group only. Earnings figures equal operating income.

Source: Company reports

STOCK PRICES

		As of 4/18	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		40¾	47⅜	34½	16
Edison Bros. Stores (NYSE) [Handyman, Homer's]		37½	46¾	35¾	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5⅜	19½	4⅞	—
Forest City (AMEX)	A	16	20⅛	11	12
	B	15⅜	20½	13	11
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42	50⅜	38⅜	12
Lowe's (NYSE)		18⅝	32¾	17⅝	13
Michigan General (AMEX) [Diamond Lumber]		6⅜	14	5½	17
Pay 'N Pak (NYSE)		14⅜	24	12¾	13
Payless Cashways (NYSE) [Furrow]		16	34½	15	13
Scotty's (NYSE)		14½	20	13⅛	13
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		22	22½	12⅛	--
Standard Brands Paint (NYSE)		20¼	28¾	18	12

Nasdaq—over-the-counter stocks

		As of 4/18	52-week High	52-week Low	P/E Ratio
Color Tile		15⅞	25⅛	13⅝	—
Hechinger	A	14½	24¼	14	—
	B	15	26⅜	14	—
The Home Depot		19⅛	31¾	14	—
Pay 'n Save		17½	29¼	17⅛	—

Over-the-counter stocks

	As of 4/18 Bid	As of 4/18 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18	22	25¼	16
Hines Lumber	34	—	41½	21½
Home Centers of America [units]	19½	—	51½	13¼
Homecrafters Warehouse	13¾	14¼	17½	12½
National Lumber	6¼	6¾	13¼	6
Scotts Seaboard [Scott's]	3	3½	1	5
Wolohan Lumber	4¾	5	10⅛	4¾

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FINANCIAL NEWS

Scotts sales increase 25% in '83

LINTHICUM, Md.—Scotts Seaboard sales increased 25% in its fiscal year ended Jan. 28 to help produce a $1.1 million net profit compared to a $437,000 net loss in the previous fiscal year, officials reported.

The 17-store chain's sales reached $35.1 million in the year.

The company's profit included after-tax income from continuing operations of $324,000, income from discontinued operations involving millwork wholesaler Seaboard Plywood and Lumber sold last July for $388,000, a $100,000 loss on accelerated payment of debt and a tax benefit from a net operating loss carryforward of $510,000, officials said.

In the prior fiscal year, Scotts Seaboard's loss included an after-tax $583,000 loss from continuing operations.

In the fourth quarter, the company had a net loss of $100,000 stemming from the accelerated payment of debt compared to a net loss of $105,000 a year earlier.

Lowe's sales up 29% in March

NORTH WILKESBORO, N.C.—Lowe's sales rose 29% in the four-week period ended March 30 to $120.8 million, according to officials.

The performance was bolstered by a 34% gain in professional sales to $61 million and a 25% rise in retail volume to $59.8 million from March 1983, they said.

Erb's net income hits $2M despite 4th quarter loss

BIRMINGHAM, Mich.—Better conditions in the residential construction industry combined with an improved economy and lower interest rates helped Erb Lumber increase earnings and sales last year, company officials indicated.

Erb's 1983 net income rose 154% to $2.1 million on a revenue gain of 41% to $137.3 million. The increases were achieved despite a fourth quarter which produced a $133,000 net loss on a sales gain of 36% to $33.6 million.

Erb officials attributed the fourth quarter loss to its Florida partnership joint venture, Erb Building Systems, which had a pretax loss of $869,000 in the period "due principally to efforts to expand its customer base in general contracting into a highly competitive new market area."

The fourth quarter also claimed a $326,000 charge from the last-in, first-out (LIFO) inventory reserve compared to a charge of $15,000 in the same period in 1982.

Palmer G. Lewis net earnings up 168% to $1.8M

AUBURN, Wash.—Building materials distributor Palmer G. Lewis experienced a 168% rise in net earnings to $1.8 million on a sales increase of 17% to $121 million in its fiscal year ended Jan. 27, officials said.

The annual results were helped by a fourth-quarter gain in net earnings of 110% to $366,183 on a sales increase of 10% to $24.5 million.

Company chairman Robert D. Peterson said fourth-quarter sales were below expectations primarily because of inclement weather in the firm's marketing area of the Pacific Northwest late in the quarter. However, he noted that sales in February, the first month of the current fiscal year, were up 22% from the previous year.

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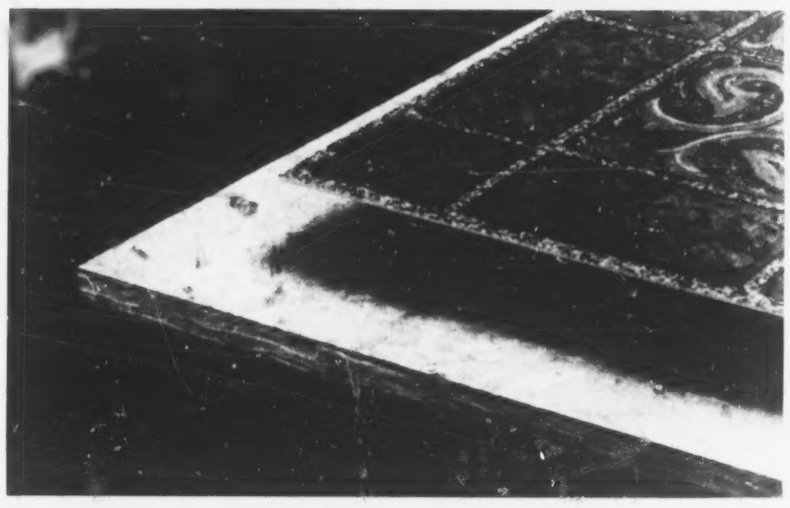

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LUMBER REPORT

Forest products industry seeks increased contract cost support

NATIONAL REPORT—A large segment of the forest products industry continues to be alarmed at the prospect of defaults by lumber companies burdened by their high-priced contracts for harvesting timber on Federal lands.

Although, after long debate, the Reagan Administration approved five-year extensions for companies facing potential problems from the stumpage costs on Federal lands (*NHCN* Aug. 8, 1983), many in the forest product industry continue to say the Administration's measure did not go far enough.

For retailers, the impact of defaulting lumber companies would probably be higher prices. Production could decline, which could lead to less supply. But, perhaps more than that, extensive defaults would reduce the number of operators in the business.

And, as Harry Horrocks, Director of Governmental Affairs for the National Lumber and Building Material Dealers Assn., has told *NHCN*, "The mom and pop operators keep the big guys honest."

Of course, as Horrocks notes, there had also been strong opposition to assisting the stricken lumber producers because of the belief that a bail-out can be a license to repeat past mistakes.

The mistakes, in the case of lumber producers in the Northwest, were in assuming in the late 1970's that happy days were here forever. Believing that a strong economy and unchecked inflation would drive lumber prices skyward, many Northwest lumber firms spurred the cost of Federal stumpage as they bid competitively for the right to harvest on Government land.

When the economy went into recession, the lumber producers were stuck with high production costs, caused by their expensive stumpage contracts, at a time when flattened lumber prices could not produce sufficient revenue.

The companies had bid the cost of harvesting timber up to $300 and more per thousand board feet and during the depths of the recession the composite price for what mills could charge for framing lumber was barely $160 per thousand board feet, according to Random Lengths.

Almost 400 purchasers, in the four-state region of Oregon, Washington, northern California and northern Idaho, hold 2,441 contracts on 16.6 billion board feet of lumber with a contract value of $4.5 billion, according to the Forest Service.

The severity of the problem is such, according to proponents of additional relief, that even with the Administration's five-year, interest-free contract extension alternative, a certain number of defaults will occur.

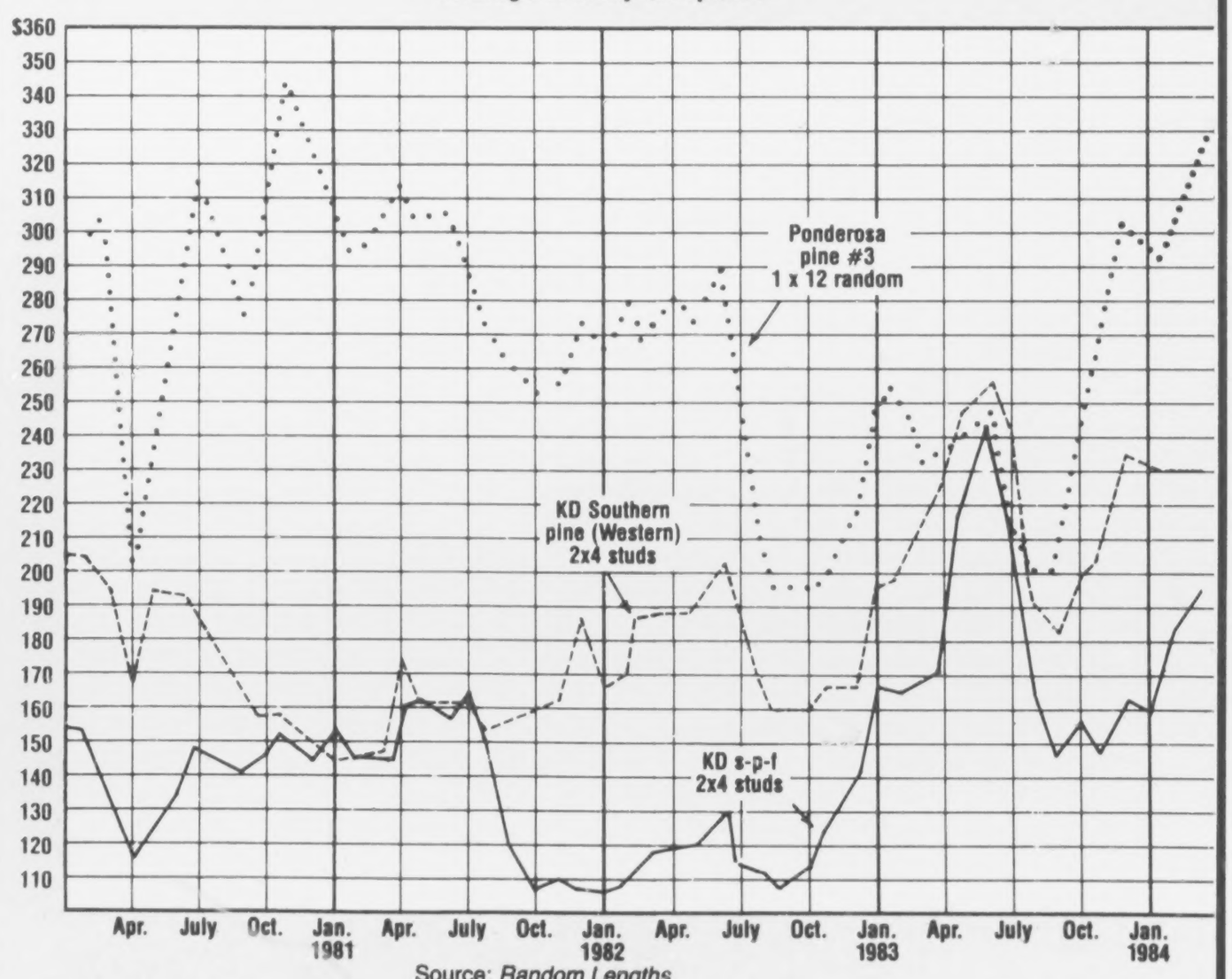
Those who support additional help for ailing firms note that, although lumber prices have bounced back from the recession, they are not currently at—and in the next five years probably will not reach—levels sufficiently high to offset the cost of the timber contracts. Indeed, Random Length's composite framing lumber price for March—$234 per thousand board foot—while certainly up from two years ago, may not be high enough to sustain companies burdened with high stumpage costs.

The National Forest Products Assn. recently decided to support a "buy out" approach to the problem, in which a company could return to the Federal Government up to 55% of its volume under contract prior to Jan. 1. 1982, up to 200 million board feet. A "buy out" charge would be established with a formula involving a ratio between the company's potential loss and its net worth.

Bronson Lewis (right), 24-year veteran of the American Plywood Assn., will step down as the organization's executive vice president on Nov. 1. He will be succeeded by APA vice president and general manager William Robinson, who has been with the organization 33 years.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Ponderosa pine prices continued to climb during March, averaging $337 per thousand board feet for the month, according to Random Lengths.

In studs, Southern pine basically moved sideways to $240 per thousand board feet in March from $242 in February and $241 in January. Western stud prices were stronger, reaching $201 per thousand board feet in March from $190 in February and $169 in January.

Housing's recovery could explain the strength of Western studs. But, as Random Lengths noted, other factors may be at work, since in a turnaround of historical trends, Western studs are now priced higher than Western random length s-p-f.

THE *NHCN* ANNUAL REPORT ON THE HOME CENTER INDUSTRY

DIY sales— back on the fast track

Source: Dept. of Commerce; Frost & Sullivan; *NHCN*

Retail sales of lumber, building material, hardware and supply dealers jumped 18% to 1983 to $52.8 billion and are expected to pass the $60 billion mark in 1984.

1983's Top 100 DIY chains 43-47

NHCN's new Top 100 in total sales 48

How the Top 10 chains performed 50-71

Who was biggest & who grew fastest in '83 57-71

Sales & profit analysis of 9 product categories 73-88

The Top lumber and hardware co-ops 90-94

NHCN's 1st industry salary survey 97-98

Battle lines drawn in looming warehouse store warfare

(Continued from page 1)

This expansion frenzy occurred last year because by then there was finally no doubt that Home Depot's formula worked. Even Wall Street skeptics had become believers in Depot chairman Bernard Marcus and his team. Due to economic recovery, money was available, as were good retail sites, with at least 20 warehouse home centers now occupying stores formerly run by Woolco, the defunct discounter.

Even Home Depot, which spent 1982 refining and expanding existing stores, rather than opening new ones, started 1983 with eight units and ended it with 18 (19 in the fiscal year ended Jan. 29). The strategy of Home Depot and other warehouse chains in the explosion of stores in 1983 was to advance wherever possible and fortify a position in the market before the enemy arrived.

This will be the year that the enemy arrives.

Chicago will be the first of many cities attacked by The Home Team stores of K mart-Hechinger. Houston. Southern California. Baton Rouge. All will be battlefields where Home Depot will be up against HomePro, HomeClub and Bowater, respectively and respectfully.

The industry has learned much from Home Depot in five years and when other warehouse chains enter these markets a repeat of Marcus' march through Georgia is unlikely.

"As the market heats up with warehouse competition can Bernie Marcus really make a profit?" asks HomeClub chairman Bob McNulty. "If retailers use their heads and don't oversaturate the market everyone will make a profit. I suspect they won't use their heads.

"Marcus is a great operator. The Home Depot will continue

(Continued on page 36)

THE HOME DEPOT	1979	1980	1981	1982
THE HOME DEPOT	Atlanta (3) (60,000 sq. ft.)	Atlanta	Hollywood, Fla. Lauderdale Lakes, Fla. Hialeah, Fla. Perrine, Fla.	

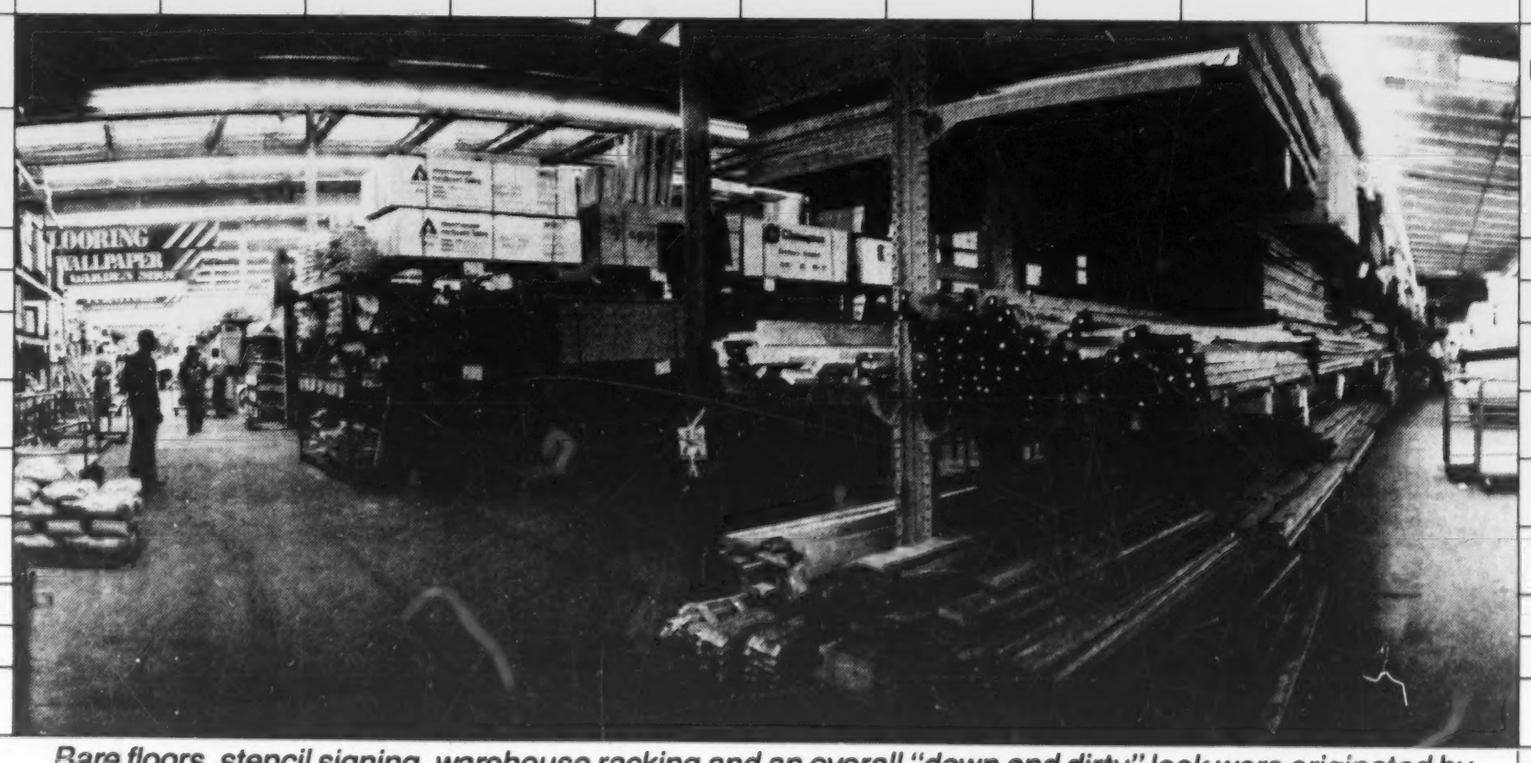
Since 1979, Home Depot has been opening warehouse stores . . .

1983	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year-end count	1984	Mid-year count	Year-end count
Home Depot	Orlando, Fla. (2)				New Orleans (2) N. Miami Beach (70-80,000 sq. ft.)	Tampa, Fla. (96,000 sq. ft.)				Clearwater, Fla. W. Palm Beach	Phoenix (2) (80,000 sq. ft.)		18	Tucson Houston Jacksonville Baton Rouge Calif. Petersburg Deerfield Beach, Fla.	21	29

. . . last year the industry decided it was time to catch up

1983	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year-end count	1984	Mid-year count	Year-end count
HOMEOWNERS WAREHOUSE			Coconut Creek, Fla. (70,000 sq. ft.)						Plantation, Fla. (60,000 sq. ft.)				2	Jacksonville, Augusta, Ga., Burbank, Ill., Oklahoma City, Miami, Nashville, Columbus, Ohio, Louisville, Ky.	2	12
HOUSEWORKS			New Orleans (2) (70,000 sq. ft.)		Sarasota, Brandenton, Fla. (50,000 sq. ft.)	New Orleans (2)					New Orleans		7		7	10
GROSSMAN'S					Ventura, Calif. (60,000 sq. ft.)			Stockton, Calif.				Long Island (3)	5	Montebello, Calif., Sayreville, N.J., Lawrenceville, N.J., Scranton, Pa.	10	15
HOME-PRO					San Antonio (91,000 sq. ft.)		San Antonio (70,000 sq. ft.)		San Antonio (63,000 sq. ft.), Corpus Christi (70,000 sq. ft.)		San Antonio (75,000 sq. ft.)		5	Lubbock, Tex., Houston	9	11
BOWATER								Dallas (2) (70-75,000 sq. ft.)		Dallas (75,000 sq. ft.)			3	Dallas, Baton Rouge	5	7
HOMECLUB										So. Calif. (2)			2	Las Vegas, Fullerton, San Bernardino, Calif.	4	5
HOMECRAFTERS											Memphis (2)		2	Denver, Memphis	5	8
HOUSEMART											Indianapolis		1	Indianapolis	2	3
PAY 'N PAK											Kent, Wash. (56,000 sq. ft.)		1	Anchorage, Bellevue, Wash., Modesto, Calif., Honolulu, San Francisco	5	8
PERGAMENT													Bethpage, N.Y. (70,000 sq. ft.)	1	2	2
MOORE'S														Charlotte, N.C., Charleston, W. Va.	3	6
CENTRAL														Indianapolis	5	7
FOREST CITY														Chicago	4	5
LINDSLEY														St. Petersburg, Fla.	1	4
BUILDERS EMPORIUM														Tustin, Calif.	1	2
RICKEL														Warminster, Pa.	1	3
CHASE PITKIN														Syracuse, N.Y.	1	1
SUPPLY 1														Reno, Nev.	2	2
THE HOME TEAM														Chicago	3	5
THE LOADING DOCK														Calif.		2
													TOTAL 47		93	147

Source: *NHCN* research



Bare floors, stencil signing, warehouse racking and an overall "down and dirty" look were originated by The Home Depot in Atlanta in June 1979 and have now been emulated by many other chains.

Battle lines drawn in looming warehouse war

(Continued from page 35)

to make money. It may outshine everyone," McNulty continues.

"I think we are best when we're in a dog fight," Marcus answers. "We look forward to markets where we're against somebody. The name of the game is not to get into a fight. The whole thing is not for glory. It's for earning dollars."

Marcus brushes off the challenge of this new hypercompetitive environment commenting that, of all the warehouse chains, only Home Depot has been demonstrably profitable. It is an argument he repeats often, with the alacrity of a politician on the stump. But he acknowledges that there are, in his words, "some bright people out there."

While warehouse warfare seems inevitable, it could be avoided, or at least postponed, if factors that heated the industry last year—abundant money and retail locations—become scarce.

"The Woolcos have dried up," noted David Heerensperger, chairman of Pay 'N Pak, which is spending $12 million to open a single warehouse in Honolulu and $7 million to $9 million for each of about 12 warehouse stores in the San Francisco area.

These huge expenses will be financed with money already obtained through public offerings. However, with home center stocks off as much as 50%, Heerensperger warns that the equity may well have dried up.

"Institutions bought a lot of shares in the past. Now they're scared of warehouse stores," he surmises. "People are worried about Marcus being clobbered, consequently we're suffering."

Says Heerensperger, "If interest rates continue to rise, the whole industry expansion will slow down."

Whether or not chains end up in fierce battle, they will certainly continue to appropriate ideas from each other.

Like other chains, Pay 'N Pak gleaned warehousing from observing Home Depot, which learned it from Depot executive vice president Pat Farrah, who had tried it unsuccessfully at his own Homeco store in California after first encountering no-frills retailing while working for nearby National Lumber.

Like other new warehouse chains, Pay 'N Pak added its own signature. For Pay 'N Pak that meant high-end, high-margin plumbing and electricals. And, coming full circle, when Home Depot opened its Phoenix stores late last year and early in 1984, the renown "down-and-dirty" look had somewhat given way to a Pay 'N Pak showroom approach.

Evans Products took home center warehouse retailing a step further last month in the Grossman's Long Beach, Calif., store, which emulated mass merchandiser Price Club, with bargain jeans, bags of nuts and other opportunistic buys offered alongside lumber and building materials.

Warehousing's influence has touched even smller stores, like Pay 'N Pak's Modesto, Calif., unit that opened in March, which, while only 30,000 sq. ft., uses warehouse racking. The Supply 1 operation set to be opened in Reno this month by Jay Steiner and other Lumberjack veterans also promises 30,-000-sq.-ft. warehouse stores. Simply put, warehouse retailing has taught the industry how to pump more volume out of cubic space, regardless of size.

W. R. Grace last year entered the warehouse business with seven House Works stores, five in New Orleans and two in the Sarasota, Fla., area. Simultaneously, Grace reformated about half of its Handy City and Handy Dan stores with warehouse racking.

In fact, the lesson may have been best learned by W. R. Grace, whose Handy City stores in Atlanta, traditional convenience outlets, were Home Depot's first victims. Now roughly half of Grace's Handy City and Handy Dan stores, which average about 35,000 sq. ft., have been remerchandised and reformatted with warehouse racking.

"It gives us the ability to have greater velocity of merchandise go through smaller stores," says Daryl Lansdale, president of Grace's central region, which includes Handy City, Handy Dan and House Works, Grace's warehouse chain. The reformatted stores are getting double-digit comparable store sales, he said.

Lansdale feels that only larger stores of 70,000 sq. ft. or more are true warehouses though, because, "if it's not that large, you don't get the same perception from the customer."

HomeClub's McNulty does not consider even the large House Works to be true warehouse stores, however. "House Works hand-loads merchandise and has high profit margins," he argues, explaining that a warehouse store should be stocked efficiently by fork lift and margins must be in the low 20's.

"The real issue in the warehouse format comes down to this," says McNulty. "Can you get 9-to-10 turns? If you can do that you fundamentally have a warehouse. If you have five-to-six turns, you're still a retailer."

But, others would argue that smaller stores, like those run by B&B of St. Louis, qualify as warehouse home centers because of their fixturing, price orientation and emphasis on basics.

If there is an area of agreement among warehouse operators it is thus: the phenomenon is so new, there is more still to discover than has already been learned.

The pressure of working with margins in the low 20's forces retailers into the bind of having to tightly control expenses while seeking to expand market share to produce the required volume.

As McNulty notes, "In the traditional format, the discipline to be cost-conscious is not there." However, in a warehouse store, he adds, "If you're making 6% pretax profit, you need to do $100,000 in sales to make $6,000."

He admits that he is now first understanding the special demands of the warehouse business. Even Marcus concedes, "We wrote the book in this industry and we're only on chapter five."

Gross Margin Return On Investment. It's the only really accurate measure of product profitability, because it considers both gross margin and number of turns.

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Contractor sales climb in '83 housing boom

NATIONAL REPORT—Home centers with substantial contractor sales rode the crest of the home building wave last year, and enjoyed overall sales gains that were markedly higher than the industry's average.

Independent and chain dealers catering to the professional customer as well as the DIYer benefited enormously from the 60% growth in housing starts to 1.7 million units that brought total spending for materials for new home construction to $70.9 billion last year.

While total volume among *NHCN*'s new Top 100 list of companies based on total sales rose 23.6% to $14.65 billion in 1983, those 38 retailers who were getting less than 55% of their sales from DIY transactions showed an average 34.6% rise in revenue, with their combined sales equaling $4.38 billion.

Home centers whose businesses have successfully integrated retail and contractor sales appear to stand the best chance of remaining profitable during future cyclical downturns in the housing market.

One company that perhaps symbolizes the direction in which the whole home center industry has evolved is Lowe's Co., the 238-unit chain based in North Wilkesboro, N.C.

Over the past five years, Lowe's has been converting its stores over to its consumer conscious "RSVP" (Retail Sales Volume and Profits) program in an attempt to lure more DIY customers into its stores. Over that same period, contractor sales as a percentge of the chain's total business have declined from 59% in 1978 to a low of 44.8% in 1982.

With the "RSVP" program having been overhauled several times in the past three years, it does not appear the chain will be swayed by the sudden upsurge in home building to revert back to a more contractor-oriented type format. However, with retail and professional sales each accounting for about half of the company's $1.4 billion total volume in 1983, Lowe's has been able to strike what appears to be an ideal balance in the kinds of customers to whom its stores are servicing.

Not all dealers, though, prescribed to this philosophy, and several discovered their stores were better suited to service the contractor more exclusively.

For instance, Calcasieu Lumber in Austin, Tex. (formerly Calco) virtually got out of the retail business entirely last year, and aggressively pursued professional sales. The result was a 50% increase in its total volume to $45 million. The same was true of Causeway Lumber in Fort Lauderdale, whose four stores, while getting only 25% of their sales from DIY customers, say their revenue jumped 50% to $42 million.

It is not surprising that many chains in Texas, where housing starts outpaced the rest of the country, were able to capture big sales gains from contractors. A few examples illustrate this: Foxworth-Galbraith in Dallas saw its sales increase 71% to $120 million, the largest percentage gain among the contractor-oriented companies listed in the top 100; Walker-Kurth in Houston had sales of $61 million, a 36% increase; the two-unit independent M. G. Building Materials in San Antonio saw its volume rise 33% to $40 million, three-fifths of which came from contractors.

A number of chains and independents outside of the Southern region also had huge sales gains last year.

One significant example is Boise Cascade, which over the past few years has reduced its store count to 82 stores from 101 in 1980, but has maintained its image as a contractor-yard chain. In 1983, Boise—which also operates a few stores in Houston—saw its sales jump 42% to $440 million, which company officials have pegged directly to new home construction in all of the chain's markets.

While Phoenix has stayed in step with other parts of the country in terms of home building, the kinds of sales O'Malley Lumber witnessed last year were remarkable, given the greater emphasis that chain has placed on its retail business over the past two years. With overall volume at its 19 stores rising 69% to $110 million, O'Malley's has begun again to push its builder business.

Contractor-oriented home centers even seemed to capture a good portion of builder sales in markets where home construction gains were less-pronounced than in the South and West. For instance, the six-unit Elgin Lumber in Illinois, whose sales are but 40% DIY, had a 53% increase in its overall volume, equaling $29 million last year; the eight-unit Strober Lumber, which is based in Brooklyn but has stores in Connecticut and New Jersey, also increased its overall volume 53% to $61 million, with nearly 7 out of every 10 sales dollars coming from contractors.

It remains to be seen whether any of these chains, seduced by the promise of robust builder sales this year, can shake off their euphoria long enough to develop programs and retailing strategies that are less-susceptible to the cyclicality of home building.

But for the time being, it looks like all home centers will be trying to get a bigger share of the contractor sales pie, even those companies who continue to get a high percentage of their sales from DIY customers.

Chains like Wickes Lumber, 84 Lumber, United Building Centers, West Building Materials and Wolohan Lumber, along with independents like A. C. Houston, Star Lumber, Williams Brothers and Robertson Cos. among others have all attempted this past year to present the dual image themselves as retail outlets that are amenable to both the beginning DIYer and the seasoned builder.

At Somerville Lumber, which is 85% DIY, contractors are granted 30-day credit terms not available to retail customers, and these builders can also call in their orders and have them waiting for them upon arrival.

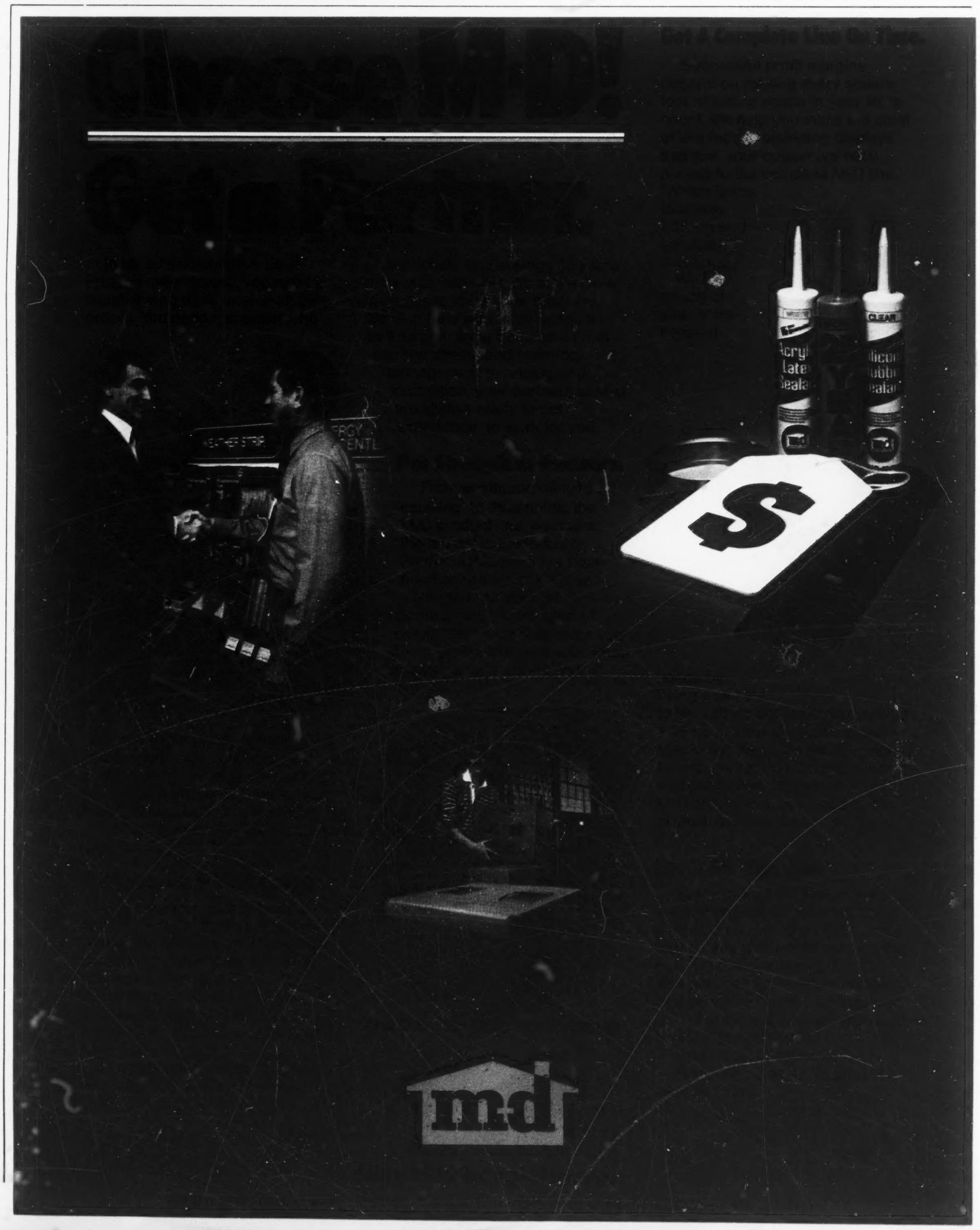
In addition, the Massachusetts-based Somerville began sending direct mail to contractors and industrial accounts in July 1982, and followed up with another mailer six months later. It was scheduled to send out its third mailing this spring.

"When business is good for the contractor, we know it's good enough for the consumer," said vice president Harold Cohen, whose two stores did $7 million with contractors last year.

Another DIY-oriented chain catering to the builder is the eight-unit Home-Pro Warehouse, based in San Antonio, which has also been sending out direct mailers to between 2,500 and 3,000 builders four times a year, and maintains about 3,000 sku's specifically for the tradesmen in its stores.

In addition, contractors are attended to at the stores' service desk, not the checkout line, by former tradesmen familiar with their clients' businesses.

Home-Pro's senior marketing vp Jud Walford explained that in most markets, 50% of the money spent on home improvement products came from DIYers, with the rest being spent with tradesmen, of which half is for labor. "We're looking to develop the 25% of the home improvement market that consists of materials purchased by tradesmen," he said.



THE NHCN TOP 100 DIY SALES

DIY Rank '83	DIY Rank '82	COMPANIES	DIY SALES (million $) '83	DIY SALES (million $) '82	DIY SALES % Change	TOTAL SALES (million $) '83	TOTAL SALES (million $) '82	TOTAL SALES % Change	% DIY '83	% DIY '82	STORES '83	STORES '82	STORES '84 (proj.)	'83 SELLING AREA (thousand sq. ft.) Store avg.	'83 SELLING AREA (thousand sq. ft.) Chain total
1	1	**W. R. Grace,** New York 14,000 employees; Sku's: 30K avg./30K total. Includes:	**$ 974**	$ 840	+ 16	**$ 1,025**	$ 875	+ 17	**95**	96	**286**	273	306*	20-50	11,150*
		Angels, Brea, Calif.	97	90	+ 8	97	90	+ 8	100	100	27	27	NA	NA	NA
		Cashway, El Paso, Tex. (incl. Allwoods)	78	71	+ 10	97	80	+ 21	80	89	12	12	NA	NA	NA
		Channel, Whippany, N.J.	305	260	+ 17	305	260	+ 17	100	100	98	91	104	NA	NA
		Handy City/Handy Dan/House Works, San Antonio	401	344	+ 17	401	344	+ 17	100	100	131	126	NA	NA	NA
		Orchard Supply, San Jose, Calif.	93	75	+ 24	125	101	+ 24	74	74	18	17	NA	NA	NA
2	3	**Payless Cashways,** Kansas City, Mo. (incl. Furrows, Lumberjack) 9,200 employees; Sku's: 13-14K avg./15K total[1]	**821**	573	+ 43	**864**	603	+ 43	**95**	95	**118**	100	160	11-38	3,090
3	2	**Evans Products,** Portland, Ore. 8,363 employees; Includes:	**790**	696	+ 13	**928**	790	+ 17	**85**	88	**345**	341	355*	16-55	7,200
		Alamo Enterprises, San Antonio	37	34	+ 9	45	38	+ 18	85	90	9	9	NA	16-20	NA
		Grossman's, Braintree, Mass.	380	333	+ 14	413	350	+ 18	92	95	175	174	NA	16-20	NA
		Hubbard & Johnson/Grossman's, San Carlos, Calif.	90	82	+ 10	128	108	+ 19	70	76	30	29	NA	16-55	NA
		Lindsley, Miami	155	134	+ 16	155	134	+ 16	100	100	43	43	NA	30	NA
		Moore's, Roanoke, Va.	127	112	+ 13	187	160	+ 17	68	70	88	86	NA	16-20	NA
4	4	**Lowe's,** No. Wilkesboro, N.C. 8,715 employees; Sku's: 9K avg./17.5K total	**724**	571	+ 27	**1,431**	1,034	+ 38	**51**	55	**238**	235	250	10-25	2,530
5	5	**Wickes Cos.,** Santa Monica, Calif. 6,604 employees; Includes:	**466**	458	+ 2	**814**	746	+ 9	**57**	61	**282**	297	286	7-36	3,600
		Builders Emporium, Irvine, Calif.	182	170	+ 7	182	170	+ 7	100	100	56	58	60	36	2,018
		Wickes Lumber, Chicago	284	288	− 1	632	576	+ 10	45	50	226	239	226	7	1,582
6	6	**84 Lumber,** Eighty-Four, Pa.	**414**	360	+ 15	**690**	600	+ 15	**60**	60	**374**	354	404	NA	4,500*
7	7	**Sutherland,** Kansas City, Mo. 2,500 employees	**381**	311	+ 23	**423**	345	+ 23	**90**	90	**82**	75	86	14-30	1,600*
8	8	**Hechinger,** Landover, Md. 5,000 employees; Sku's: 40K avg./40K total	**310**	241	+ 29	**310**	241	+ 29	**100**	100	**41**	34	48	60	1,790
9	11	**Rickel,** So. Plainfield, N.J. 3,500 employees; Sku's: 30K avg./30K total	**275**	224	+ 23	**275**	224	+ 23	**100**	100	**36**	34	40	48	1,750
10	9	**Scotty's,** Winter Haven, Fla. 4,800 employees; Sku's: 11.5K avg. 12.1K total	**271**	249	+ 9	**399**	324	+ 23	**68**	77	**105**	100	114	37	3,860
11	20	**The Home Depot,** Atlanta 2,400 employees; Sku's: 25K avg./25K total	**256**	118	+117	**256**	118	+117	**100**	100	**19**	10	29	75-80	1,520
12	10	**Ernst Home Center,** Seattle (incl. Von Tobel's) 2,100 employees; Sku's: 30K avg./30K total	**255**	230	+ 11	**255**	230	+ 11	**100**	100	**72**	68	73	36	2,590
13	14	**Pay 'n Pak,** Kent, Wash. 1,475 employees; Sku's: 15K avg./15K total	**250**	187	+ 34	**250**	187	+ 34	**100**	100	**100**	98	104	18-56	2,240
14	12	**Handyman,** San Diego (incl. Homer's)	**240**	200	+ 20	**240**	200	+ 20	**100**	100	**77**	80	80	40	3,100*
15	13	**Ole's Home Centers,** Pasadena, Calif. 3,000 employees; Sku's: 27K avg./27K total	**215**	188	+ 14	**215**	188	+ 14	**100**	100	**35**	32	37	40	1,400
16	15	**Central Hardware,** Bridgeton, Mo. 2,500 employees; Sku's: 45K avg./45K total	**200**	180	+ 11	**200**	180	+ 11	**100**	100	**30**	29	30	45	1,350
17	16	**Menards,** Eau Claire, Wis. Sku's: 50K avg.	**194**	170	+ 14	**228**	200	+ 14	**85**	85	**21**	19	24	50	1,050
18	18	**Boise Cascade,** Boise, Idaho Sku's: 10.5K avg.	**176**	155	+ 14	**440**	310	+ 42	**40**	50	**85**	93	85	12.5-15	1,530
19	17	**Pergament Home Centers,** Melville, N.Y. 2,500 employees; Sku's: 37K avg./37K total	**160**	140	+ 14	**160**	140	+ 14	**100**	100	**42**	40	44	25	1,000*
20	24	**Lanoga,** Seattle Includes[2]:	**138**	98	+ 25	**303**	218	+ 39	**45**	50	**127**	126	148	5-30	725*
		Lumbermen's, Shelton, Wash.[3]	34	14	+143	52	22	+136	65	65	14	13	15	10-30	225
		Spenard's, Anchorage	41	34	+ 21	136	112	+ 33	30	30	12	11	NA	3-20	100*
		United Building Centers, Winona, Minn.	63	50	+ 26	115	84	+ 37	55	60	102	108	122	5-10	400
21	19	**West Building Materials,** Atlanta, Sku's: 16-20K avg./20-25K total	**135**	118	+ 14	**180**	157	+ 15	**75**	75	**65**	64	NA	NA	950*
22	22	**McCoy's Building Supply,** San Marcos, Tex.	**132**	103	+ 28	**165**	129	+ 28	**80**	80	**50**	38	60	15	750
23	21	**Forest City,** Cleveland 2,000 employees; Sku's: 30K avg./30K total	**125**	115	+ 9	**128**	117	+ 9	**98**	98	**20**	20	22	55	1,500
24	23	**National Lumber,** Santa Ana, Calif. 950 employees; Sku's: 30K avg./30K total	**114**	98	+ 16	**114**	98	+ 16	**100**	100	**12**	12	16	45	620
25	25	**Diamond Lumber,** Sacramento, Calif. 1,250 employees; Sku's: 10K avg./10K total[4]	**92**	85	+ 8	**306**	244	+ 25	**30**	35	**97**	119	97	6	600*
26	26	**Hugh M. Woods,** Denver 600 employees; Sku's: 15-20K avg./15-20K total[5]	**86**	77	+ 12	**95**	86	+ 10	**90**	90	**14**	12	—	32-40	500*
27	37	**Weyerhaeuser,** Tacoma, Wash. 538 employees. Includes:	**83**	77	+ 8	**130**	120	+ 8	**64**	64	**11**	11	13	NA	230
		Dixieline Lumber, San Diego	56	53	+ 6	80	76	+ 5	70	70	5	5	6	18	90
		Everitt Lumber, Fort Collins, Colo.	20	18	+ 11	40	35	+ 14	50	50	4	4	NA	27	108
		Fisher Lumber, Santa Monica, Calif.	7	6	+ 16	10	9	+ 11	70	70	2	2	NA	16	32
28	32	**Handy Andy Home Improvement Centers,** Gurnee, Ill. 900 emloyees; Sku's: 30K avg./30K total	**83**	64	+ 30	**85**	65	+ 31	**98**	98	**13**	11	14	28-85	500*
29	34	**Knox Lumber,** St. Paul, Minn. 600 employees; Sku's: 20-22K avg./22K total	**80**	67	+ 19	**84**	71	+ 18	**95**	95	**9**	9	10	30	300
30	27	**Erb Lumber,** Birmingham, Mich. 893 employees; Sku's: 7K avg./10K total	**69**	73	− 5	**137**	97	+ 41	**50**	75	36	**35**	39	5-20	420
31	30	**Wolohan Lumber,** Saginaw, Mich. 487 employees; Sku's: 8K avg./ 25-30K total	**67**	60	+ 12	**112**	89	+ 26	**60**	67	35	**32**	38	12-24	581
32	38	**Carter-Jones Lumber,** Kent, Ohio	**66**	60	+ 10	**120**	100	+ 20	**55**	60	**136**	130	NA	NA	1,200*
33	29	**Busy Beaver,** Pittsburgh Sku's: 10-15K avg./ 22K total	**65**	55	+ 18	**87**	76	+ 14	**75**	72	30	**32**	29	6-30	500
34	36	**Neiman-Reed's Lumber City,** Van Nuys, Calif. 776 employees; Sku's: 22.5K avg./23K total	**60**	52	+ 15	**63**	55	+ 15	**95**	95	12	**13**	13	28-45	565
35	35	**Valu Home Centers,** Buffalo 500 employees	**58**	53	+ 9	**58**	53	+ 9	**100**	100	22	**21**	23	25	550
36	NR	**Orscheln Farm & Home Supply,** Moberly, Mo. 340 employees; Sku's: 14K avg./14K total	**54**	52	+ 4	**55**	55	0	**98**	95	61	**64**	61	12	900

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37	33	**American Maize Products,** Stamford, Conn. 647 employees; Sku's: 6K avg./7-8K total Includes:	**52**	51	+ 2	**81**	77	+ 5	**64**	66	39	**39**	39	1-60	380
		Buchanan Lumber, Danbury, Conn.	6	7	– 14	19	19	0	31	35	8	**8**	8	25	NA
		Lloyd Home & Building Centers, Danbury, Conn.	46	44	+ 5	62	58	+ 7	74	76	31	**31**	31	1-60	NA
38	28	**Great Plains Supply,** St. Paul, Minn. 1,000 employees; Sku's: 10K avg./10K total	**51**	66	– 23	**85**	110	– 23	**60**	60	92	**102**	85	4	332
39	40	**Lampert Lumber,** St. Paul, Minn. 616 employees; Sku's: 6K avg./35K total	**50**	43	+ 16	**76**	65	+ 17	**66**	66	47	**49**	47	10	520
40	45	**Courtesy Home Centers,** Mt. Prospect, Ill. 430 employees; Sku's: 35K avg./35K total	**50**	35	+ 43	**50**	35	+ 43	**100**	100	**4**	4	5	50	200
41	41	**Foxworth-Galbraith Lumber,** Dallas 1,200 employees; Sku's: 12K avg.	**48**	42	+ 14	**120**	70	+ 71	**40**	60	**49**	49	51	2-55	600*
42	39	**Homecrafters Warehouse,** Birmingham, Ala. 900 employees; Sku's: 12-30K avg./30K total[6]	**47**	33	+ 42	**104**	66	+ 58	**45**	50	**36**	49	42	7-69	522
43	44	**Stambaugh-Thompson,** Youngstown, Ohio 700 employees; Sku's: 15K avg./17K total	**47**	38	+ 24	**47**	38	+ 24	**100**	100	**20**	17	20	20-34	421
44	50	**Westlake Ace Hardware,** Moberly, Mo. 450 employees; Sku's: 21K avg./21K total	**46**	32	+ 44	**50**	35	+ 43	**91**	91	**26**	19	30	19-20	507
45	42	**Copeland Lumber Yards,** Portland, Ore. 600 employees	**44**	38	+ 16	**80**	75	+ 7	**55**	50	**80**	77	85	5	400
46	55	**Edward Hines Lumber,** Chicago 350 employees; Sku's: 7.5K avg./9.5K total[7]	**42**	30	+ 40	**83**	60	+ 38	**50**	50	**25**	25	33	7.7	190
47	53	**Somerville Lumber,** Somerville, Mass. 390 employees; Sku's: 37K avg./37K total[8]	**40**	29	+ 38	**47**	34	+ 38	**85**	85	**2**	2	3	37-42	79
48	49	**O'Malleys,** Phoenix 1,000 employees; Sku's: 20K avg./20K total	**39**	33	+ 18	**110**	65	+ 69	**35**	50	**19**	15	19	8-40	464
49	46	**Hill-Behan,** St. Louis 750 employees; Sku's: 10K avg./10K total	**38**	33	+ 15	**75**	60	+ 25	**50**	55	**32**	32	34	7-30	352
50	43	**Goodman Lumber,** San Francisco	**38**	30	+ 27	**38**	30	+ 27	**100**	100	**5**	5	5	7-100	200*
51	48	**Warners True Value,** St. Paul, Minn. 800 employees	**36**	33	+ 9	**38**	35	+ 9	**95**	95	**23**	23	23	NA	300*
52	57	**Chase-Pitkin,** Rochester, N.Y. 400 employees; Sku's: 40K avg./40K total	**35**	29	+ 21	**37**	30	+ 23	**95**	95	**11**	10	11	35	280
53	56	**Scott's,** Linthicum, Md. 400 employees; Sku's: 15K avg./15K total	**34**	27	+ 26	**35**	28	+ 25	**98**	95	**17**	17	17	19-40	450
54	52	**Peavey,** Minneapolis (incl. Fish Building Supply) 375 employees; Sku's: 10-25K avg./10-25K total[9]	**33**	40	– 18	**50**	60	– 17	**67**	67	**23**	34	—	8	200*
55	62	**Walker-Kurth,** Houston 300 employees; Sku's: 30K avg./35K total	**31**	23	+ 35	**61**	45	+ 36	**50**	50	**6**	8	5	12-20	75
56	59	**Church's Lumber Yards,** Utica, Mich. 200 employees; Sku's: 12.5K avg./10-15K total	**30**	24	+ 25	**40**	32	+ 25	**75**	75	**12**	11	13	10-25	198
57	61	**Eclipse Industries,** St. Louis (incl. B&B, Big E)	**30**	25	+ 20	**30**	25	+ 20	**100**	100	**7**	6	11	40	280
58	54	**Homeowners DIY Centers,** Gardena, Calif. 400 employees; Sku's: 35K avg./40K total	**30**	28	+ 7	**30**	28	+ 7	**100**	100	**5**	5	5	25-35	160
59	NR	**Elk Supply,** Clinton, Okla. 110 employees; Sku's: 10-15K avg.	**29**	13	+123	**36**	20	+ 80	**80**	65	**18**	16	18	10-12	200*
60	60	**City Mill,** Honolulu 350 employees; Sku's: 21K avg./21K total	**27**	24	+ 13	**30**	24	+ 25	**90**	98	**4**	4	6	45	225
61	84	**Mr. Goodbuys,** Philadelphia 250 employees; Sku's: 12K avg./12K total	**26**	20	+ 30	**26**	20	+ 31	**100**	100	**4**	4	6	23-51	144
62	58	**Peter Kuntz,** Dayton, Ohio 400 employees; Sku's: 5-20K avg./20K total	**24**	24	0	**48**	48	0	**50**	50	**24**	26	25	1.5-30	300*
63	64	**Lampert Yards,** St. Paul, Minn. 285 employees; Sku's: 10-15K avg.	**24**	30	– 20	**40**	50	– 20	**60**	60	**31**	32	31	NA	300*
64	73	**Plywood Ranch,** Braintree, Mass. 200 employees; Sku's: 6K avg./8K total	**24**	22	+ 9	**25**	23	+ 9	**95**	95	**19**	28	NA	12	220
65	75	**Anderson Lumber,** Ogden, Utah 500 employees; Sku's: 15K avg./30K total	**23**	17	+ 35	**70**	50	+ 40	**33**	33	**22**	21	22	2-40	200
66	65	**All American Home Center,** Downey, Calif. 250 employees; Sku's: 70K avg./70K total	**23**	20	+ 15	**23**	20	+ 15	**100**	100	**1**	1	1	135	135
67	47	**Charles Meek Lumber,** Springfield, Mo.	**22**	17	+ 29	**73**	57	+ 28	**30**	30	**20**	18	22	30	575*
68	51	**Plywood Minnesota,** Minneapolis 250 employees; Sku's: 2-5K avg./5K total	**22**	23	– 4	**29**	31	– 6	**75**	75	**10**	20	10	25	250
69	63	**Braver Lumber,** Detroit (incl. Pine Lumber Cashway) 250 employees; Sku's: 7K avg./7K total	**22**	23	– 4	**27**	26	+ 4	**85**	90	**12**	12	13	6-10	120
70	66	**Sackett & Peters,** Whittier, Calif. 155 employees; Sku's: 35K avg./35K total	**22**	20	+ 10	**22**	20	+ 10	**99**	99	**2**	2	3	35	70
71	87	**Strober Bros.,** Brooklyn, N.Y. 200 employees; Sku's: 8-10K avg./8-10K total	**21**	14	+ 50	**61**	40	+ 53	**35**	35	**8**	8	8	3	22*
72	78	**Star Lumber,** Wichita, Kan. 375 employees; Sku's: 20K avg./20K total	**21**	17	+ 24	**50**	37	+ 35	**41**	45	**3**	3	3	29-44	108
73	67	**Brewster's,** Providence, R.I. 200 employees; Sku's: 10K avg./10K total	**21**	19	+ 11	**35**	32	+ 9	**60**	60	**4**	4	4	17	68
74	82	**Kindt, Lomira,** Wis. 330 employees; Sku's: 9K avg./9K total[10]	**20**	15	+ 33	**40**	33	+ 21	**50**	50	**7**	6	7	15-22	334
75	68	**T. H. Rogers,** Oklahoma City 200 employees; Sku's: 10K avg./10K total	**20**	19	+ 5	**30**	29	+ 3	**65**	65	**32**	32	33	5	180
76	71	**Gee Lumber,** Chicago 450 employees; Sku's: 40K avg./42K total	**20**	19	+ 5	**25**	25	0	**80**	75	**13**	13	14	20-60	400
77	69	**Z & L Lumber,** Pittsburgh 120 employees; Sku's: 8K avg./8K total	**20**	20	0	**24**	24	0	**85**	85	**6**	6	6	50	300

THE NHCN TOP 100 DIY SALES

DIY Rank '83	DIY Rank '82	COMPANIES	DIY SALES (million $) '83	DIY SALES (million $) '82	DIY SALES % Change	TOTAL SALES (million $) '83	TOTAL SALES (million $) '82	TOTAL SALES % Change	% DIY '83	% DIY '82	STORES '83	STORES '82	STORES '84 (proj.)	'83 SELLING AREA (thousand sq. ft.) Store avg.	'83 SELLING AREA (thousand sq. ft.) Chain total
78	79	**Budget Power,** Hopkins, Minn. 350 employees; Sku's: 20-22K avg./22K total	**20**	18	+ 11	**21**	19	+ 11	**95**	95	**7**	7	9	10-12	80
79	70	**Thurman Industries,** Kirkland, Wash. 110 employees; Sku's: 12K avg./12K total	**20**	18	+ 11	**20**	18	+ 11	**98**	98	**10**	9	11	12-15	130
80	81	**The Paty Co.,** Piney Flats, Tenn. 325 employees; Sku's: 13.5K avg./13.5K total	**19**	16	+ 19	**35**	31	+ 14	**55**	50	**6**	6	6	14	84
81	74	**Samon's DIY Centers,** N. Salt Lake, Utah 205 employees; Sku's: 10K avg./14K total	**19**	18	+ 6	**22**	20	+ 10	**90**	90	**14**	14	14	12-16	160
82	77	**A. C. Houston Lumber,** Wichita, Kan. 325 employees; Sku's: 15-20K avg./15-20K total	**18**	17	+ 6	**52**	48	+ 8	**35**	35	**11**	11	11	4-20	120*
83	89	**Alexander Lumber,** Aurora, Ill. 270 employees;	**18**	12	+ 50	**50**	40	+ 25	**35**	30	**60**	60	60	0.3-24	400*
84	72	**Williams Bros. Lumber,** Atlanta 325 employees; Sku's: 13K avg./13K total	**18**	18	0	**35**	30	+ 17	**50**	60	**9**	9	10	11.5	145
85	76	**Curtis Lumber,** Ballston Spa, N.Y. 145 employees; Sku's: 10.5K avg./11K total	**18**	17	+ 6	**28**	22	+ 27	**65**	75	**6**	6	7	7-48	97
86	88	**Lezzer Lumber,** Curwensville, Pa. 90 employees; Sku's: 12K avg./12K total	**18**	14	+ 29	**26**	20	+ 30	**70**	70	**5**	4	6	10	60
87	83	**L-P Home Centers,** Huntington, Beach, Calif. 200 employees; Sku's: 20-28K avg./28K total	**18**	16	+ 13	**25**	25	0	**70**	65	**7**	7	7	8-30	150
88	NR	**Hughes Lumber,** Tulsa, Okla. 150 employees; Sku's: 6K avg./6K total	**18**	16	+ 13	**22**	20	+ 10	**80**	80	**9**	9	10	NA	75*
89	NR	**Jaeger Lumber,** Union, N.J. 110 employees; Sku's: 12-14K avg./12-14K total	**17**	13	+ 31	**23**	20	+ 15	**75**	65	**5**	3	5	12-20	44
90	94	**Builderama,** Savannah, Ga. 200 employees; Sku's: 18K avg./18K total	**17**	13	+ 31	**20**	15	+ 33	**85**	90	**6**	5	8	30	150
91	90	**Fullerton Lumber,** Minneapolis 352 employees;	**16**	12	+ 33	**40**	31	+ 29	**40**	40	**50**	50	50	1-20	512
92	NR	**M. G. Building Materials,** San Antonio 75 employees; Sku's: 12K avg./12K total	**16**	12	+ 33	**40**	30	+ 33	**40**	40	**2**	2	2	10	20
93	91	**Bailey Lumber,** Bluefield, W. Va. 231 employees; Sku's: 11K avg./20K total	**15**	12	+ 25	**21**	20	+ 5	**70**	60	**18**	18	18	4-10	110
94	92	**TAPJAC,** Carthage, Mo. 210 employees; Sku's: 10K avg./45K total	**15**	12	+ 25	**20**	18	+ 11	**75**	65	**14**	13	14	4-20	130
95	80	**Levy's Lumber,** Louisville, Ky. 200 employees; Sku's: 18-20K avg./18-20K total	**15**	14	+ 7	**18**	16	+ 13	**85**	85	**3**	3	4	15-65	130
96	NR	**Ziegle Building Centers,** Spokane, Wash. 90 employees; Sku's: 2-16K avg./18K total	**15**	13	+ 15	**18**	15	+ 20	**85**	85	**8**	8	9	6-18	100*
97	98	**Robertson Cos.,** Grand Forks, N.D. 120 employees; Sku's: 18K avg./18K total	**14**	11	+ 27	**30**	28	+ 7	**45**	40	**31**	31	33	2-20	300*
98	NR	**M. L. Claster & Sons,** Bellefonte, Pa. 185 employees; Sku's: 5K avg./6K total	**14**	12	+ 17	**24**	20	+ 20	**60**	60	**12**	12	12	7	25
99	NR	**Home-Pro Warehouse,** San Antonio 550 employees; Sku's: 35K avg./35K total[11]	**14**	—	—	**17**	—	—	**8**	—	**5**	0	11	70	335
100	96	**Wood Bros. Lumber,** Tucson 200 employees; Sku's: 12K avg./12K total[12]	**14**	12	+ 17	**16**	13	+ 23	**90**	90	**3**	2	—	15-33	63
		Top 10 Home Center Companies	**5,426**	4,523	+ 20	**7,159**	5,782	+ 24	**76**	78	**1,907**	1,843	2,049	—	41,070
		Top 25 Home Center Companies	**8,108**	6,708	+ 21	**10,599**	8,498	+ 25	**76**	79	**2,759**	2,691	2,963	—	61,995
		Top 50 Home Center Companies	**9,511**	7,931	+ 20	**12,671**	10,185	+ 24	**75**	78	**3,614**	3,545	3,837	—	73,408
		Top 100 Home Center Companies	**10,587**	8,852	+ 20	**14,329**	11,596	+ 24	**74**	76	**4,259**	4,204	4,490	—	82,922
		TOTAL —All Lumber & Building Material Retailers[13]				**37,662**	30,574	+ 23			**24,600**	**23,950***			
		TOTAL RETAIL INDUSTRY SALES (Building Material, Hardware & Supply Dealers)[14]				**52,823**	44,708	+ 18			**53,600**	**52,210***			

All figures from annual reports, company officials, *NHCN* research based on market and industry data and Chain Store Guide—Directory of Home Center Operators & Hardware Chains.

List includes retail companies whose primary business is the sale of lumber, building materials, hardware and home improvement products. Ranking based first on cash and carry (DIY) sales volume; second, in cases where volumes are equal, on total sales.

Nineteen eighty-two DIY rank based on figures and data available in May 1983. Those companies not ranked (NR) for 1982 are ones either founded in 1983; whose growth resulted in DIY ranking for 1983, or whose product mix changed to meet the definition of home center retailer.

*—*NHCN* estimate
NA—Not available
NR—Not ranked

SKU—Stock keeping units (K-thousand)

[1] Payless Cashways (#2)—does not include results from Somerville Lumber, Hugh M. Woods and Wood Bros. Lumber, acquired in late 1983/early 1984.
[2] Lanoga (#20)—does not include results from Peavey, Minneapolis, acquired in 1984.
[3] Lumbermen's of Washington, division of Lanoga (#20)—includes 1983 sales from stores purchased by Lanoga from Williamette Industries, Portland, Ore., in February 1983.
[4] Diamond Lumber (#25)—operated under Diamond International, New York, until Michigan General, Dallas, purchased it in September 1983.
[5] Hugh M. Woods (#26)—acquired by Payless Cashways, Kansas City, Mo., in January 1984.
[6] Homecrafters Warehouse (#43)—formerly Homecrafters Centers.
[7] Edward Hines Lumber (#46)—does not include results from Kindt, Lomira, Wis., acquired in April 1984.
[8] Somerville Lumber (#47)—acquired by Payless Cashways, Kansas City, Mo., in March 1984.
[9] Peavey (#54)—acquired by Lanoga, Seattle, in 1984.
[10] Kindt (#74)—acquired by Edward Hines Lumber, Chicago, in April 1984.
[11] Home-Pro Warehouse (#99)—began operations in May 1983.
[12] Wood Bros. Lumber (#100)—acquired by Payless Cashways, Kansas City, Mo., in December 1983.

13 - Source: Commerce Department Revised Monthly Retail Sales and Inventories, March 1984, for SIC group 521 lumber, building material and home center stores only.
14 - Source: Commerce Department, for SIC group 521, 523, 525 building material, supply and hardware stores.

Nineteen eighty-four store projection totals assumed for companies where figures were unavailable that there would be an equal number of stores open in 1984 as in 1983.

THE NHCN TOP 100 TOTAL SALES

Rank	Companies	TOTAL SALES (millions $) '83	'82	% change	% DIY '83	Total stores '83
1	**Lowe's,** No. Wilkesboro, N.C.	**1,431**	1,034	+ 38	51	238
2	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Handy City, Handy Dan, House Works, Orchard)	**1,025**	875	+ 17	95	286
3	**Evans Products,** Portland, Ore. (incl. Alamo, Grossman's, Hubbard & Johnson, Lindsley, Moore's)	**928**	790	+ 17	85	345
4	**Payless Cashways**[1], Kansas City, Mo.	**864**	603	+ 43	95	118
5	**Wickes Cos.,** Santa Monica, Calif. (incl. Wickes Lumber, Builders Emporium)	**814**	746	+ 9	57	282
6	**84 Lumber,** Eighty-Four, Pa.	**690**	600	+ 15	60	374
7	**Boise Cascade,** Boise, Idaho	**440**	310	+ 42	40	85
8	**Sutherland Lumber,** Kansas City, Mo.	**423**	345	+ 23	90	82
9	**Scotty's,** Winter Haven, Fla.	**399**	324	+ 23	68	105
10	**Hechinger,** Landover, Md.	**310**	241	+ 28	100	41
11	**Diamond Lumber**[2], Sacramento, Calif.	**306**	244	+ 25	30	97
12	**Lanoga**[3], Seattle (incl. Lumbermen's Spenards, United Building Centers)	**303**	218	+ 39	45	127
13	**Rickel Home Centers,** So. Plainfield, N.J.	**275**	224	+ 23	100	36
14	**The Home Depot,** Atlanta	**256**	118	+118	100	19
15	**Ernst Home Center,** Seattle (incl. Von Tobel's)	**255**	230	+ 11	100	72
16	**Pay 'N Pak,** Kent, Wash.	**250**	187	+ 33	100	100
17	**Handyman,** San Diego (incl. Homer's)	**240**	200	+ 20	100	77
18	**Menards,** Eau Claire, Wis.	**228**	200	+ 14	85	21
19	**Ole's Home Centers,** Pasadena, Calif.	**215**	188	+ 14	100	35
20	**Central Hardware,** Bridgeton, Mo.	**200**	180	+ 11	100	30
21	**West Building Centers,** Atlanta	**180**	157	+ 15	75	65
22	**McCoy's Building Supply Centers,** San Marcos, Tex.	**165**	129	+ 28	80	50
23	**Pergament Home Centers,** Melville, N.Y.	**160**	140	+ 14	100	42
24	**Erb Lumber,** Birmingham, Mich.	**137**	97	+ 41	50	36
25	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline Lumber, Everitt Lumber, Fisher Lumber)	**130**	120	+ 8	64	11
26	**Forest City,** Cleveland	**128**	117	+ 9	98	20
27	**Carter-Jones Lumber,** Kent, Ohio	**120**	100	+ 20	55	136
—	**Foxworth-Galbraith Lumber,** Dallas	**120**	70	+ 71	40	49
29	**National Lumber,** Santa Ana, Calif.	**114**	98	+ 17	100	12
30	**Wolohan Lumber,** Saginaw, Mich.	**112**	89	+ 26	60	35
31	**O'Malleys,** Phoenix	**110**	65	+ 69	35	19
32	**Homecrafters Warehouse**[4], Birmingham, Ala.	**104**	66	+ 57	45	36
33	**Hugh M. Woods**[5], Denver	**95**	86	+ 10	90	14
34	**Busy Beaver,** Pittsburgh	**87**	76	+ 14	75	30
35	**Great Plains Supply,** St. Paul, Minn.	**85**	110	– 23	60	92
—	**Handy Andy Home Improvement Centers,** Gurnee, Ill.	**85**	68	+ 31	98	13
37	**Knox Lumber,** St. Paul, Minn.	**84**	71	+ 19	95	9
38	**Edward Hines Lumber**[6], Chicago	**83**	60	+ 40	50	25
39	**American Maize Products,** Stamford, Conn. (incl. Buchanan Lumber, Lloyd Home & Building Centers)	**81**	77	+ 5	64	39
40	**Big Tin Barn,** Diboll, Tex.	**80**	80	0	15	6
41	**Copeland Lumber Yards,** Portland, Ore.	**80**	75	+ 7	55	80
42	**Lampert Lumber,** St. Paul, Minn.	**76**	65	+ 17	66	47
43	**Hill-Behan,** St. Louis	**75**	60	+ 25	50	32
44	**Charles Meek Lumber,** Springfield, Mo.	**73**	57	+ 28	30	20
45	**Anderson Lumber,** Ogden Utah	**70**	50	+ 40	33	22
46	**Seacoast Building Centers,** Conway, S.C.	**65**	48	+ 35	20	9
—	**The Terry Companies,** Tarzana, Calif.	**65**	50	+ 30	18	9
48	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	**63**	55	+ 15	95	12
49	**Strober Bros.,** Brooklyn, N.Y.	**61**	40	+ 53	35	8
—	**Walker-Kurth,** Houston	**61**	45	+ 36	50	6
51	**Valu Home Centers,** Buffalo, N.Y.	**58**	53	+ 9	100	22
52	**Orschein Farm & Home Supply,** Moberly, Mo.	**55**	55	0	98	61
53	**A. C. Houston Lumber,** Wichita, Kansas	**52**	48	+ 8	35	11
54	**Alexander Lumber,** Aurora, Ill.	**50**	40	+ 25	35	60
—	**Courtesy Home Centers,** Mount Prospect, Ill.	**50**	35	+ 43	100	4
—	**Peavey**[7], Minneapolis	**50**	60	—	67	23
—	**Star Lumber,** Wichita, Kan.	**50**	37	+ 35	41	3
—	**Westlake Hardware,** Moberly, Mo.	**50**	35	+ 43	91	26
59	**Cox Lumber,** St. Petersburg, Fla.	**48**	40	+ 20	25	11
—	**Peter Kuntz,** Dayton, Ohio	**48**	48	0	50	24
61	**Somerville Lumber**[8], Somerville, Mass.	**47**	34	—	85	2
—	**Stambaugh—Thompson,** Youngstown, Ohio	**47**	38	—	100	20
63	**Calcasieu Lumber,** Austin, Tex.	**45**	30	+ 50	1	1
64	**Causeway Lumber/Red Thumb Home Centers,** Fort Lauderdale	**42**	28	+ 50	25	4
65	**Church's Lumber Yards,** Utica, Mich.	**40**	32	+ 25	75	12
—	**Fullerton Lumber,** Minneapolis	**40**	31	+ 29	40	50
—	**Kindt**[9], Lomira, Wis.	**40**	30	+ 33	50	7
—	**Lampert Yards,** St. Paul, Minn.	**40**	50	– 20	60	31
—	**M. G. Building Materials,** San Antonio, Tex.	**40**	30	+ 33	40	2
70	**Warners True Value,** St. Paul, Minn.	**38**	35	+ 9	95	23
—	**Goodman Lumber,** San Francisco	**38**	30	+ 27	100	5
72	**Chase-Pitkin,** Rochester, N.Y.	**37**	30	+ 23	95	11
73	**Brown-Graves,** Akron, Ohio	**36**	30	+ 20	15	4
74	**Elk Supply,** Clinton, Okla.	**36**	20	+ 80	65	18
—	**The Paty Company,** Piney Flats, Tenn.	**36**	31	+ 16	55	6
76	**Brewster's,** Providence, R.I.	**35**	32	+ 9	60	4
—	**Metz Lumber,** Lakewood, Colo.	**35**	29	+ 21	10	3
—	**Scott's,** Linthicum, Md.	**35**	28	+ 25	98	17
—	**Williams Bros.,** Atlanta	**35**	30	+ 17	50	9
80	**Martin Home Centers,** Alexandria, La.	**34**	34	0	35	9
81	**Ganahl Lumber,** Anaheim, Calif.	**32**	30	+ 7	20	4
82	**City Mill,** Honolulu	**30**	24	+ 25	90	4
—	**Crissey Fowler,** Colorado Springs, Colo.	**30**	24	+ 25	15	1
—	**Eclipse Industries,** St. Louis	**30**	25	+ 20	100	7
—	**Homeowners Do-It-Yourself Centers,** Gardena, Calif.	**30**	28	+ 7	100	5
—	**Mid-Cape Centers,** Orleans, Mass.	**30**	24	+ 25	20	9
—	**Robertson Cos.,** Grand Forks, N.D.	**30**	28	+ 7	45	31
—	**T. H. Rogers Lumber,** Oklahoma City, Okla.	**30**	29	+ 3	65	32
89	**Elgin Lumber,** Elgin, Ill.	**29**	19	+ 53	40	6
—	**Plywood Minnesota,** Minneapolis, Minn.	**29**	31	– 6	75	10
91	**Babbitt Bros.,** Flagstaff, Ariz.	**28**	24	+ 17	40	6
—	**Curtis Lumber,** Ballston Spa, N.Y.	**28**	22	+ 27	65	6
93	**Panning Lumber & Supply,** Orlando, Fla.	**27**	22	+ 23	10	6
—	**Braver Lumber,** Detroit	**27**	26	+ 4	85	12
95	**Lezzer Lumber,** Curwensville, Pa.	**26**	20	+ 30	70	5
—	**J.T.'s Home & Builders Centers,** Middletown, R.I.	**26**	20	+ 30	40	5
—	**Mr. Goodbuys,** Philadelphia	**26**	20	+ 30	100	4
98	**Plywood Ranch,** Braintree, Mass.	**25**	23	+ 9	95	19
—	**E. C. Barton & Co.,** Jonesboro, Ark.	**25**	22	+ 14	20	27
—	**Gee Lumber,** Chicago	**25**	25	0	80	13
—	**L-P Home Centers,** Huntington Beach, Calif.	**25**	25	0	70	7
TOP 10		**7,324**	5,868	+ 25	73	1,956
TOP 25		**10,624**	8,500	+ 25	76	2,774
TOP 50		**12,801**	10,278	+ 25	72	3,554
TOP 100		**14,651**	11,847	+ 24	71	4,237
TOTAL SALES—All Lumber & Building Material Retailers		37,662	30,574	+ 23	—	24,600
TOTAL RETAIL INDUSTRY SALES (Building Material, Hardware & Supply Dealers)		52,823	44,708	+ 18	—	53,600

All figures from annual reports, company officials, *NHCN* research based on market and industry data and Chain Store Guide—Directory of Home Center Operators & Hardware Chains.

List includes retail companies whose primary business is the sale of lumber, building materials, hardware and home improvement products, ranked by total sales, and then alphabetically in cases where sales are equal.

[1]Payless Cashways (#4)—does not include results from Somerville Lumber, Somerville, Mass., Hugh M. Woods, Denver, and Wood Bros. Lumber, Tucson, Ariz., acquired in late 1983/early 1984.

[2]Diamond Lumber (#11)—operated under Diamond International, New York, until Michigan General, Dallas, purchased it in September 1983.

[3]Lanoga (#12)—does not include results from Peavey, Minneapolis, acquired in 1984.

[4]Homecrafters Warehouse (#32)—formerly Homecrafters Centers.

[5]Hugh M. Woods (#33)—acquired by Payless Cashways, Kansas City, Mo., in January 1984.

[6]Edward Hines Lumber (#38)—does not include results from Kindt, Lomira, Wis., acquired in April 1984.

[7]Peavey (#54)—acquired by Lanoga, Seattle, in 1984.

[8]Somerville Lumber (#61)—acquired by Payless Cashways, Kansas City, Mo., in March 1984.

[9]Kindt (#65)—acquired by Edward Hines Lumber, Chicago, in April 1984.

House Works born, Channel grows in year of Grace

NEW YORK—W. R. Grace last year remained the No. 1 company in the home center industry in DIY sales, which totaled $973 million, a 16% gain from the $840 million posted in 1982.

It was a year of trauma for Grace, with the abrupt departure in March of the home center division president and other top executives, but a year of opportunity as well. Grace launched a new chain, House Works, simultaneously with those events.

GRACE

A warehouse-type home center operation with seven outlets in New Orleans and Sarasota, Fla., House Works represented the first time that Grace developed, rather than acquired, a new chain.

More characteristically, the $6.2 billion chain spent part of the year again tinkering with the regional organization of several of its chains as it continued the digestion of the six operations it has acquired since the mid-1970's.

In fact, only weeks before opening the first House Work stores in New Orleans, Grace consolidated its Handy Dan and Handy City chains into a Central region, which now includes House Works as well, with a combined total of 131 stores headquartered in San Antonio.

As House Works opened, several of its key architects, led by home center division president Frank Denny, left the company to form their own warehouse-type operation, Home-Pro, which opened in the spring in San Antonio against Grace's Handy Dan and amid legal threats from Grace.

With Denny's departure, the home center division was dissolved as a separate corporate entity. In August it was absorbed into Grace's specialty retailing group headed by executive vp Edward Tutun.

It is not clear how House Works is now fairing. Following early out-of-stock problems, an *NHCN* sponsored study last summer showed that, along with The Home Depot, House Works in a short time had gotten the message across to New Orleans DIYers that warehouse home centers are an exciting place to shop.

Meanwhile, the battle between Home-Pro and Handy Dan for the hearts of San Antonio continued. Both the New Orleans and San Antonio battles revealed that Grace was not slumbering.

After several years of delay because of the poor economy and site-selection problems, 98-store Channel invaded Washington with an initial four suburban stores, the first two of which opened Sept. 1, just days before Hechinger opened its 20th metro-Washington unit.

Realizing that going against hometown Hechinger would not be easy, Channel did not just open typical stores. Instead it unveiled modified warehouse-type units that promised and delivered low prices. Hechinger was forced to make a price statement as well.

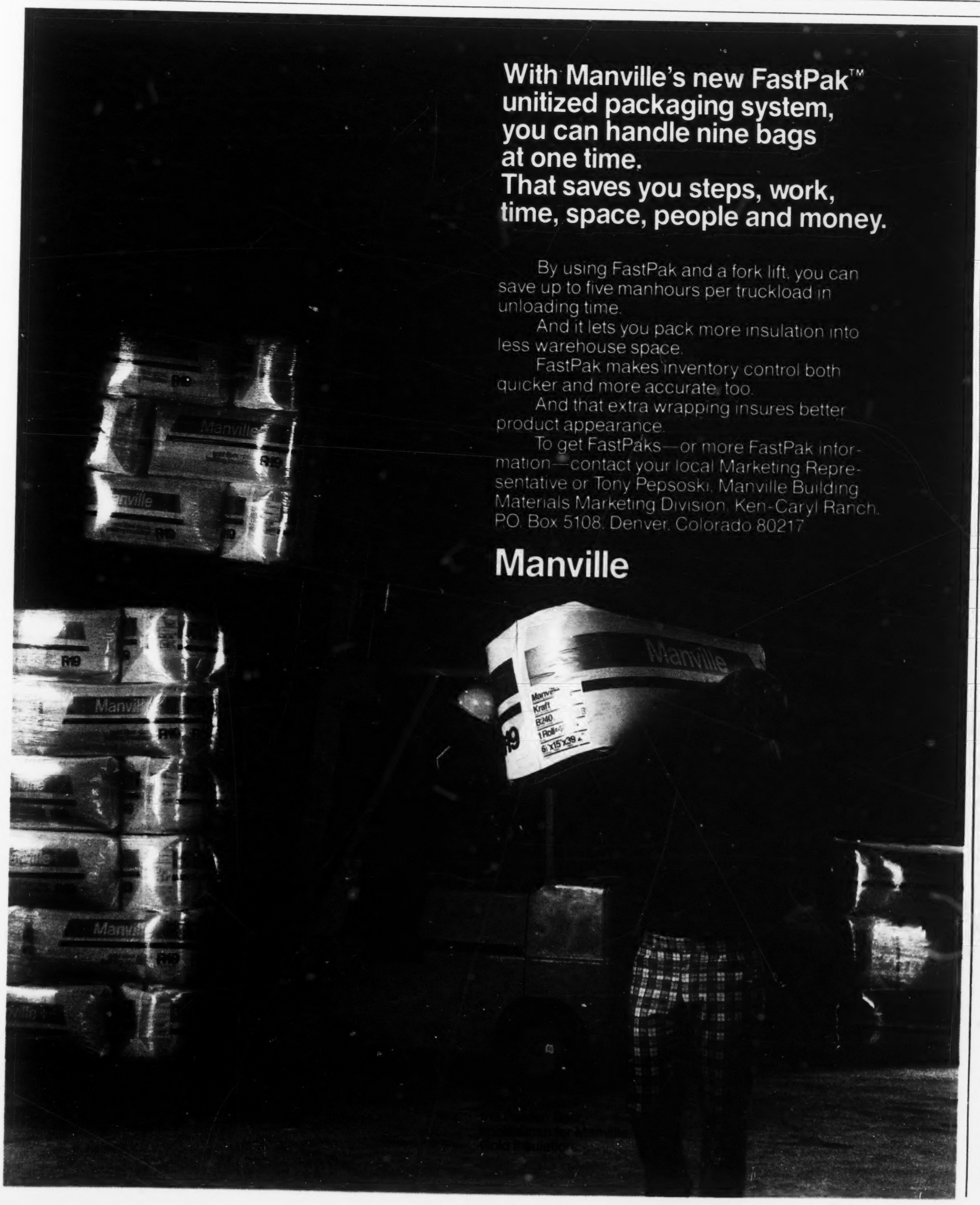
Channel followed up its Washington debut this year with a new chainwide low-price policy and plans to hit Hechinger again, this time with a multistore attack in Baltimore.

Channel was not alone among Grace chains in its aggressiveness. On the opposite coast, in northern California's Silicon Valley, 18-store Orchard was not invading new markets, but it opened several units and with great enterprise fortified its own operation against increasing competition.

After years of delay, Channel invaded the Washington, D.C., market last September. NHCN photo

With 60,000 stock keeping units, including many obscure, hard-to-get items, Orchard is a super hardware store where, management admits, customers often shop for their repair needs rather than their larger-ticket, remodel projects.

The company is in the midst of a reassessment aimed at attracting more of the big-ticket sales without losing its long-time customers and strong image in the San Jose area.


With Manville's new FastPak™ unitized packaging system, you can handle nine bags at one time.
That saves you steps, work, time, space, people and money.
By using FastPak and a fork lift, you can save up to five manhours per truckload in unloading time.
And it lets you pack more insulation into less warehouse space.
FastPak makes inventory control both quicker and more accurate, too.
And that extra wrapping insures better product appearance.
To get FastPaks—or more FastPak information—contact your local Marketing Representative or Tony Pepsoski, Manville Building Materials Marketing Division, Ken-Caryl Ranch, P.O. Box 5108, Denver, Colorado 80217.
Manville
Manville
Kraft
R19

Top 100 line up

Companies	DIY Rank	Total Sales Rank
Alamo Enterprises	3	3
Alexander Lumber	83	54
All American Home Center	66	NR
American Maize Products	37	39
Anderson Lumber	65	45
Angels	1	2
Babbitt Bros.	NR	91
Bailey Lumber	93	NR
Big Tin Barn	NR	40
Boise Cascade	18	7
Braver Lumber	69	NR
Brewster's	73	76
Brown-Graves	NR	73
Buchanan Lumber	37	39
Budget Power	78	NR
Builderama	90	NR
Builder's Emporium	5	5
Busy Beaver	33	34
Calcasieu Lumber	NR	63
Carter-Jones Lumber	32	27
Cashway	1	2
Causeway Lumber/ Red Thumb	NR	64
Central Hardware	16	20
Channel Home Centers	1	2
Chase-Pitkin	52	72
Church's Lumber Yards	56	65
City Mill	60	82
M. L. Claster & Sons	98	NR
Copeland Lumber Yards	45	41
Courtesy Home Centers	40	54
Cox Lumber	NR	59
Crissy Fowler	NR	82
Curtis Lumber	85	91
Diamond Lumber	25	11
E. C. Barton & Co.	NR	97
Eclipse Industries	57	82
84 Lumber	6	6
Elk Supply	59	74
Elgin Lumber	NR	89
Erb Lumber	30	24
Ernst Lumber	12	15
Evans Products	3	3
Forest City	23	26
Foxworth-Galbraith	41	27
Fullerton Lumber	91	65
Ganahl Lumber	NR	81
Gee Lumber	76	97
Goodman Lumber	50	70
W. R. Grace	1	2
Great Plains Supply	38	35
Grossman's	3	3
Handy Andy Home Improvement Centers	28	35
Handy City/Handy Dan/ House Works	1	2
Handyman	14	17
Hechinger	8	10
Hill-Behan	49	43
Edward Hines Lumber	46	38
The Home Depot	11	14
Homecrafters	42	32
Homeowners DIY Centers	58	82
Home-Pro Warehouse	99	NR
A. C. Houston Lumber	82	53
Hubbard & Johnson	3	3
Hughes Lumber	88	NR
J. T. Home & Building Centers	NR	94
Jaeger Lumber	89	NR
Kindt	74	65
Knox Lumber	29	37
Peter Kuntz	62	59

(Continued on page 53

Lumberjack deal whets Payless' appetite for growth

KANSAS CITY, Mo.—Nineteen eighty-three was The Year of the Acquisitions for Payless Cashways here, as the company appeared willing to buy just about any available chain or independent that fit into its stores' profile.

The chain made three separate acquisitions last year, with a combined price tag of $35 million to $40 million, that added 11 stores to existing markets. In addition, Payless spent another $36 million to build, stock and open 10 of its own stores.

By increasing its store count by one-fifth to 121 units in 1983, and by implementing a more highly defined marketing and merchandising strategy that emphasized better-quality goods sold at everyday low prices, Payless enjoyed the most successful year in its 53-year history.

Its sales jumped 44% to $864 million (of which 95% were DIY sales), and its earnings skyrocketed 50% to $35 million. The company has strengthened its hold on the Dallas, Indianapolis, Houston, Denver and Sacramento, Calif., markets, and its goal is to achieve "market dominance" in every region it operates, according to company president David Stanley.

The year started off with a bang when Payless bought the seven-unit Lumberjack Stores in Sacramento for about $27 million. This acquisition gave the chain a thirst for growth that has yet to be quenched.

Over that 12-month period, Payless also bought the single-unit Morrison Building Supply in Salina, Kan.; the three-unit Wood Brothers in Tucson, Ariz., and, for $71 million, the 14-unit Prime Home Centers in Denver (an acquisition that actually took place shortly after its fiscal year closed).

The company makes no secret about its intentions to gobble up market share with its buying clout, and already in 1984 it has purchased the powerful Somerville Lumber independent in Massachusetts for more than $40 million, its first foray into the East Coast. Payless also plans to build 19 or more of its own units in 10 markets in 1984.

The company's resounding success last year, however, cannot be attributed solely to its physical expansion. Payless has taken any number of internal steps to "professionalize" its operations in virtually every department by adding more skilled personnel and depending more on precise market data on which to base decisions.

In the personnel area, Payless has sought to decentralize to a greater degree at the corporate level: it brought on a new director of transportation and distribution, Mike Spada, from W. R. Grace; Steve Porter was promoted into the new position of senior merchandise manager-general products; Brad Bright joined the company as its new store design director and Jim Neustadt was named its first director of advertising.

Under vp-marketing Dale Pond, advertising and promotion played a key role in Payless' success last year, which Pond attributed directly to the better use of market research data and "vertical integration" of radio television ads with newspaper and direct mail support.

The advertising campaign was augmented by a revamped merchandising tack that continued to stress low-price, but offered much higher-quality products in nearly every category. The chain saw especially good sales in ceiling fans, plumbing and telephone accessories.

Payless' merchandising and marketing plans will be enhanced this year also, as its computerized inventory control system is incorporated into more of the company's distribution centers and stores, which company officials estimate will be complete in 1986.

President David Stanley: "Market dominance" is the goal. NHCN photo

How the NHCN Top 100 line up

(Continued from page 50)

Companies	DIY Rank	Total
Lampert Lumber	39	42
Lampert Yards	63	65
Lanoga	20	12
Levy's Lumber & Building	95	NR
Lezzer Lumber	86	94
Lindsley	3	3
Lloyd Home & Building Centers	37	39
L-P Home Centers	87	97
Lowe's	4	1
Lumbermen's	20	12
Martin Home Centers	NR	80
McCoy's Building Supply Centers	22	22
Charles Meek Lumber	67	44
Menards	17	18
Metz Lumber	NR	76
Mid-Cape Centers	NR	82
M. G. Building Materials	92	65
Moore's	3	3
Mr. Goodbuys	61	94
National Lumber	24	29
Neiman-Reed's Lumber City	34	48
O'Malleys	48	31
Ole's Home Centers	15	19
Orchard Supply	1	2
Orchein Farm & Home Supply	36	52
Paty Lumber	80	74
Payless Cashways	2	4
Pay 'N Pak	13	16
Peavey	54	54
Pergament Home Centers	19	23
Plywood Minnesota	68	89
Plywood Ranch	64	97
Rickel Home Centers	9	13
Robertson Cos	97	82
T. H. Rogers Lumber	75	82
Sackett & Peters	70	NR
Samon's DIY Centers	81	NR
Scott's	53	76
Scotty's	10	9
Seacoast Building Centers	NR	46
Somerville Lumber	47	61
Spenard's	20	12
Stambaugh-Thompson	43	61
Star Lumber	72	54
Strober Bros	71	49
Sutherland Lumber	7	8
TAPJAC	94	NR
The Terry Cos.	NR	46
Thurman Industries	79	NR
United Building Centers	20	12
Valu Home Centers	35	51
Walker-Kurth Lumber	55	49
Warners True Value	51	70
West Building Materials Centers	21	21
Westlake Ace Hardware	44	54
Weyerhaeuser	27	25
Wickes Cos	5	5
Wickes Lumber	5	5
Williams Bros. Lumber	84	76
Wolohan Lumber	31	30
Wood Bros. Lumber	100	NR
Hugh M. Woods	26	33
Ziegler Building Centers	96	NR
Z&L Lumber	77	NR

Subsidiaries are ranked by parent company
NR—Not ranked

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Retail group shining star in Evans' slumping portfolio

MIAMI—It was a "good news, bad news" year for Evans Products as it attempted to recoup from losses in several of its businesses, despite continued strong sales from its retail group.

Evans' home center chains, with 345 stores, saw their combined sales improve more than 17% over 1982 to $927.8 million, with operating income increasing to $69.6 million, a 24% gain.

But as a corporation, Evans was mired in debt in 1983, and its efforts to raise cash by selling off its profitable retail group found no buyers, although Scotty's was reportedly interested in Evans' Lindsley chain early last year. Consequently, Evans decided last June to spin off the group into a separate, publicly held company, in which it would retain a 20% interest.

However, the financial condition of the parent company, coupled with major corporate management changes, placed the spin off in jeopardy. Up until last month, Evans' lenders, which are owed more than $475 million in secured debt, were reportedly opposed to the spin off (*NHCN*, April 23).

In December, 1982, the company terminated its custom homes division, and has most recently sold off its Shelter and Fiber Products Groups for a combined $75 million to two companies owned by Victor Posner, the Miami financier (*NHCN*, April 9). It is also currently in the process of selling part of its home loan portfolio to raise another $22 million.

In fact, Evans last year was all set to merge with Posner's Sharon Steel Co., which owns 43.2% of Evans, and had received Internal Revenue Service approval for the merger, until its lenders blocked the deal.

Instead, Evans' board of directors elected Posner as the company's new chairman, president and ceo, replacing Monford Orloff, who had been Evans' chairman since 1964. Orloff remained its chief operating officer.

Company observers have found Posner's method of running Evans somewhat imponderable, especially considering the dire financial straits it is in. Once Posner became chairman, he named his son, Steven, and his daughter, Tracy, as vice presidents, leading some on Wall Street to believe he was attempting to lower Evans' stock price even further so he could buy the company outright. Evans' officials have dismissed this as speculation.

In addition, Posner had reportedly been delaying payment to retail vendors for merchandise shipped to the home centers, leading some suppliers to worry about the viability of the chains and the company as a whole.

No vendors have complained of not being paid eventually for their goods. As for the spin off, company officials state it will happen once the stock market shows a bit more strength toward investment in home improvement companies.

Evans' recent tumultuous financial history ironically has spurred some renewed life into its retail group, which in the past has had a staid reputation. Last May, the company broke out of its shell and embarked on a new retail venture in, appropriately enough, Ventura, Calif., where it opened its 80,000-sq.-ft. "Grossman's Building Materials Warehouse."

Retail group president Maurice (Mike) Grossman: "We want to take the newest things we learn and put them into all our stores." NHCN photo

This unit stocks only 6,500 stock keeping units and emphasizes everyday low prices in its advertising. It also caters to the professional contractor through its "Wholesale Club" discount membership, allowing "qualified" customers paying $25 per year to shop the store two hours before it opens to the public. At the end of the year, these customers receive a 2% refund on purchases exceeding $2,500.

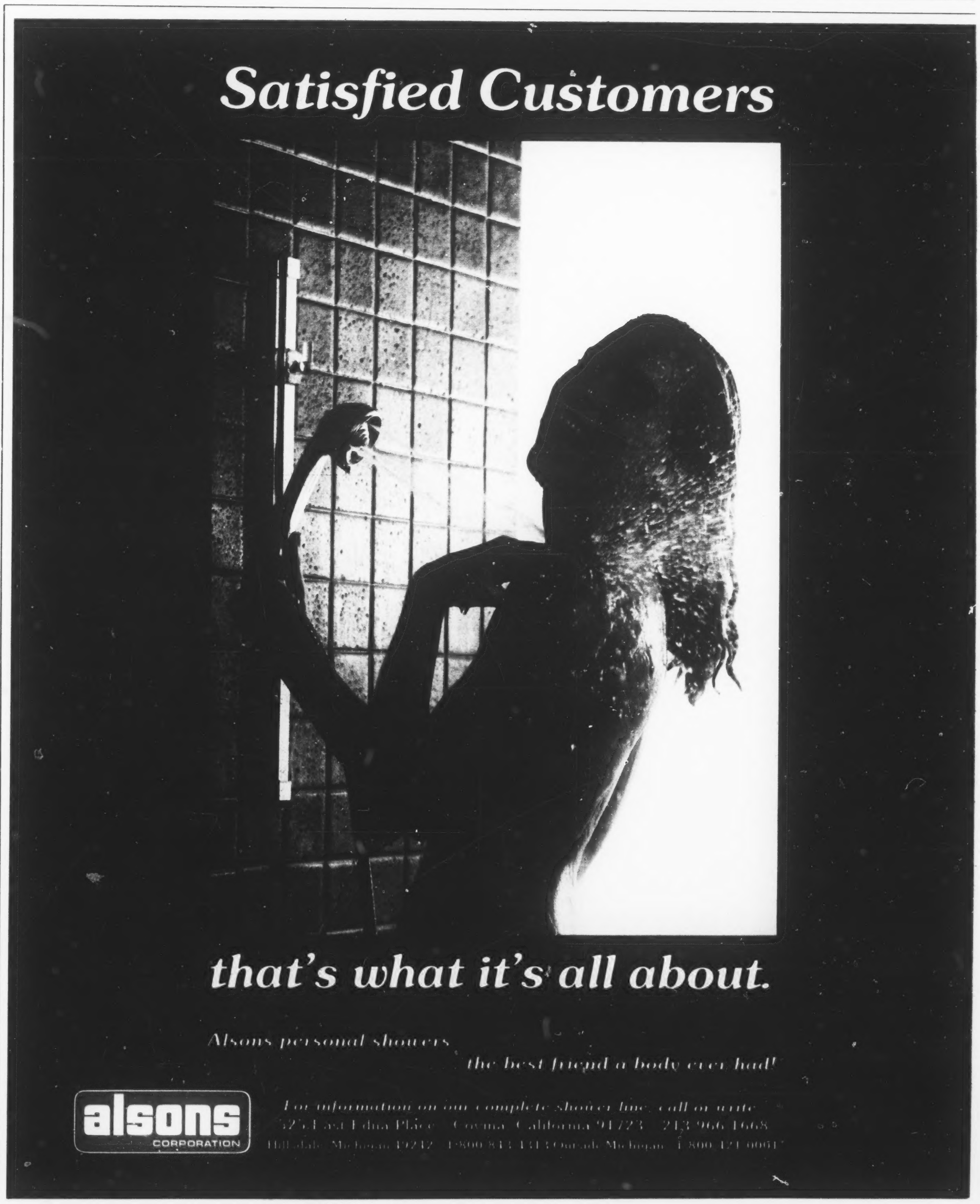
"What you're seeing is our latest thinking," said retail group president Mike Grossman. "We want to take the newest things we learn [at Ventura] and put them into all our stores."

25 biggest gainers in DIY volume

Rank	Companies	Dollar increase ($ millions)
1	Payless Cashways	248
2	Lowe's	153
3	The Home Depot	138
4	W. R. Grace	134
5	Evans Products	93
6	Sutherland	70
7	Hechinger	69
8	Pay 'N Pak	63
9	84 Lumber	54
10	Rickel Home Centers	51
11	Handyman	40
—	Lanoga	40
13	McCoy's Building Supply	29
14	Ole's Home Centers	27
15	Ernst Home Centers	25
16	Menards	24
17	Scotty's	22
18	Boise Cascade	21
19	Central Hardware	20
—	Pergament Home Centers	20
21	Handy Andy Home Improvement Centers	19
22	West Building Materials	17
23	Elk Supply	16
—	National Lumber*	16
25	Courtesy Home Centers	15

*based in Santa Ana, Calif.
Source: *NHCN*'s Top 100—DIY sales; figures based on cash and carry/DIY business only, not total retail sales, which would include contractor sales.

Payless Cashways, Kansas City, Mo., dominated the home center companies in terms of raw dollar gains in DIY volume with $248 million more in consumer sales in 1983 than in 1982. Payless capitalized essentially on store growth including the acquisition of seven-unit Lumberjack, Sacramento, Calif., as well as sales increases at existing stores. Lowe's realized growth in DIY sales from its RSVP sales floor design in effect in more than half of its stores. The Home Depot realized strong store-for-store gains in its Atlanta and Florida markets, but also added volume with its move to Phoenix, to record a $138 million increase in DIY sales. W. R. Grace posted a $134 million gain in DIY sales.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Consumer thrust powers billion-dollar-a-year Lowe's

NORTH WILKESBORO, N.C.—After reaching record sales of $1 billion in 1982, Lowe's had a 38% sales increase to $1.4 billion last year, with a 101% net earnings increase to $50.6 million from 1982's $25.1 million.

The record earnings and sales resulted from Lowe's consumer-oriented merchandising thrust—involving changing store layouts to its RSVP format, increasing the number of stock keeping units and raising margins—as

LOWE'S Companies, Inc.

well as to the upturned economy last year.

By strategically repositioning itself in the marketplace, Lowe's not only capitalized on last year's burgeoning housing market, but continued its strong swing into the DIY market. It had its third consecutive year with more than 50% of sales attributable to consumers rather than professional builders.

Last spring, Lowe's announced the second phase of its remerchandising program, which is expected to extend into 1985. It involves increasing retail floor space by 20% this year, increasing sku's by a third, expanding its number of stores by at least 5% of its 1983 total of 238 stores, and adding larger stores without lumberyards, to the chain.

Based on its experience with the RSVP format used since 1980 in many units, the new plan consists of a three-tier program:

- Lowe's expects that about 100 of its 137 stores using the RSVP format will be converted to the "Super Retro-fit" format. This layout plan enables stores to double their retail floor space and increase their sku's from 9,200 to 13,000 or 14,000.

Most of Lowe's stores are under 15,000 sq. ft.—95 are under 10,000 sq. ft.—but the other two formats require larger store sizes. In order to attract consumers, the chain's executives feel that larger merchandise selections and more floor space to adequately display the product, are necessary.

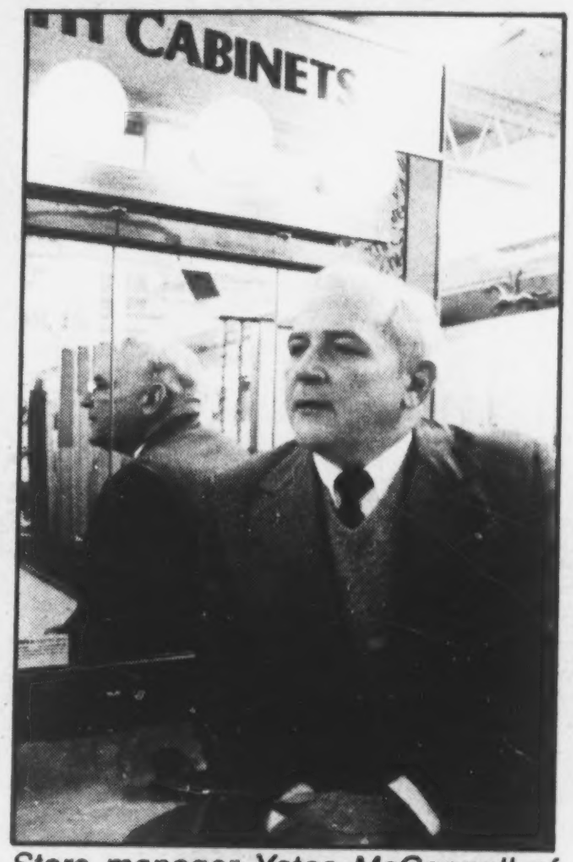
- The "Super Prototype" format is for stores in the 14,000-sq.-ft. to 20,000-sq.-ft. range. In 1983's third quarter, six stores were under construction, with the Mauldin, S.C., store being the first to open, on Nov. 18.
- Also, stores in the 20,000-sq.-ft. to 30,000-sq.-ft. range are planned, and will be Lowe's first stores without adjacent lumberyards. Designed under the "Super Cluster Format," they will only be located in high density markets, and are expected to have a customer base that is 90% DIYer.

Locations named

Three of the stores under construction in November are 14,000 sq. ft., and are located in Griffin, Ga., New Iberia, La., and Springdale, Ark.; while the other three, including the Mauldin store, are 20,250 sq. ft. They are located in Douglasville, Ga., and Wise County, Va.

In addition, four Homecrafters units in Nashville, Tenn.—averaging 20,000 sq. ft.—were acquired in January as part of Lowe's 5% store growth count.

The country's largest home improvement retail chain in terms of total sales, Lowe's ranked No. 4 on *NHCN*'s Top 100 list in DIY sales.



Store manager Yates McConnell of Lowe's North Pleasantburg, S.C., store—a unit that exemplifies Lowe's consumer-oriented thrust with its RSVP format. NHCN photo

25 biggest gainers in retail volume

Rank	Companies	Dollar increase ($ millions)
1	Lowe's	397
2	Payless Cashways	261
3	W. P[illegible]ace	150
4	Evans Products	138
—	The Home Depot	138
6	Boise Cascade	130
7	84 Lumber	90
8	Lanoga	85
9	Sutherland	78
10	Scotty's	75
11	Hechinger	69
12	Wickes	68
13	Pay 'N Pak	63
14	Diamond Lumber	62
15	Rickel Home Centers	51
16	Foxworth-Galbraith Lumber	50
17	O'Malleys	45
18	Erb Lumber	40
—	Handyman	40
20	Homecrafters Warehouse	38
21	McCoy's Building Supply	36
22	Menards	28
23	Ole's Home Centers	27
24	Ernst Home Centers	25
25	Edward Hines Lumber	23
—	West Building Materials	23
—	Wolohan Lumber	23

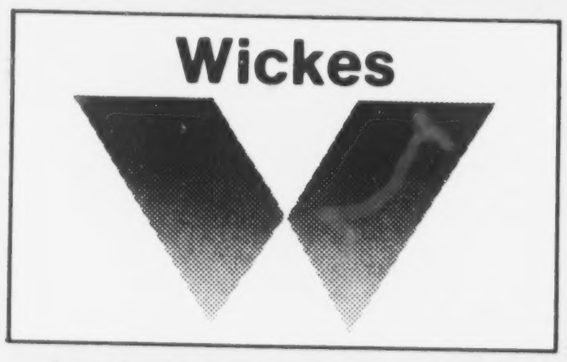
Source: *NHCN*'s Top 100—Total Sales

Lowe's took advantage of the rebound in home construction and the maturing of its RSVP sales floor design in more than half of its units to post the largest increase in actual dollars in 1983 for total volume. Its $397 million increase in 1983 from 1982 was more than $100 million better than Payless Cashways, which recorded a $261 million total increase, thanks in part to its aggressive expansion policy. The Home Depot's nine additional stores in 1983 helped carry it to a $138 million sales gain. Such companies as Boise Cascade and Lanoga, like Lowe's, were buoyed by home construction activity, rather than new store additions.

Wickes Cos.: Emerging from the valley of Chapter 11

SANTA MONICA, Calif.—When Wickes chairman Sanford Sigoloff addressed the National Home Center Show in Dallas in February last year, he and members of his entourage showed up wearing buttons declaring, "This Team Wins."

Twelve months later they could argue that the prediction had, in fact, come true. Wickes, in Chapter 11 since April 1982, reached agreement in principle with its creditors in February.



And for the year ended Jan. 28, the company reported a profit of $24.8 million on sales of $2.9 billion, compared with a loss of $248.7 million a year earlier on sales of $2.6 billion.

When Sigoloff spoke at the 1983 National Home Center Show, he told the audience that the company had emerged from the "valley of crisis management" and that the task ahead was that of running the new, slimmed-down Wickes.

Among the companies he had in mind were both Wickes Lumber and Builders Emporium, which survived as core businesses of the conglomerate, now much trimmer than the $4 billion in sales it was doing prior to its financial difficulties.

Wickes Lumber, for example, had been pared to 285 stores from 340 in 1981. To better run that business, Wickes Lumber headquarters was moved from Saginaw, Mich., to Vernon Hills, Ill., a Chicago suburb, to provide easier access for vendors. Simultaneously, existing Wickes units were refurbished and a strategic decision was made to concentrate on builder sales, since most Wickes Lumber outlets were in poor retail locations.

As part of the decision to appeal to builders, Wickes management pursued development of an in-store computer system to aid builders in translating their plans into lumber and building materials shopping lists.

Chainwide computerization was also an important accomplishment at Builders Emporium, which opened its first new store in several years and launched a new super store format in which traditional Builders Emporiums orbit around a new large, warehouse-type BE outlet.

Builders Emporium did an estimated $182 million in sales last year compared with $170 million in 1982. It operated 56 stores at year end and may four more units this year.

Wickes Lumber had estimated total sales of $632 million in 1983 compared to $576 million a year earlier. Of last year's sales, about $284 million was to DIYers.

Taken together, sales for Wickes Cos. 282 lumber and building material outlets was $814 million, up 9% from a year ago. The DIY portion of that volume was ahead 2% to $466 million, which allowed Wickes to maintain its position as the nation's fifth largest chain in DIY sales, according to *NHCN*'s annual survey of the industry.

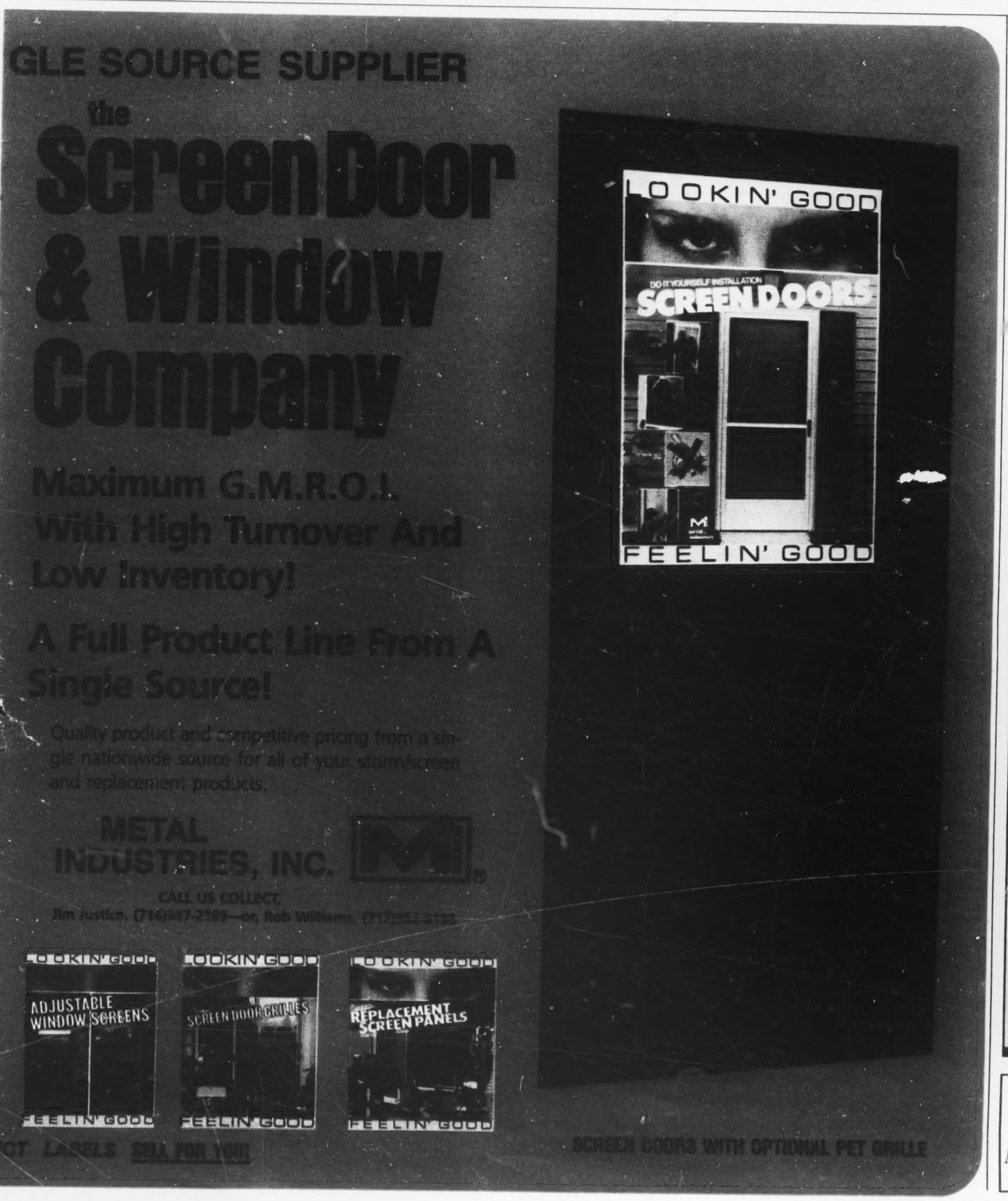
This is expected to be a year that Wickes Lumber, Builders Emporium and other Wickes companies carry out growth plans that were, perhaps, on

Sanford Sigoloff: architect of Wickes' efforts to emerge from Chapter 11.

NHCN photo

hold during the darker days of Wickes' rehabilitation.

It is also expected to be the year that Wickes emerges from Chapter 11. Last fall reorganization plans were confirmed by the bankruptcy court for two Wickes entities. Confirmation is pending for the remaining $1.2 billion in pre-Chapter 11 unsecured debt, which is addressed in the reorganization plan with a combination of cash, two-year and nine-year notes, and Wickes stock.



25 fastest growing chains by rate of total sales growth

Rank	Companies	% increase
1	The Home Depot	117
2	Elk Supply	80
3	Foxworth-Galbraith Lumber	71
4	O'Malleys	69
5	National Lumber (Springdale, Ark.)	60*
6	Homecrafters Warehouse	57
7	Strober Bros.	53
8	Elgin Lumber	52
9	Calcasieu Lumber	50
—	Causeway Lumber/Red Thumb Home Centers	50
11	Courtesy Home Centers	43
—	Payless Cashways	43
—	Westlake Hardware	43
14	Boise Cascade	42
15	Erb Lumber	41
16	Anderson Lumber	40
—	Edward Hines Lumber	40
18	Lanoga	39
19	Lowe's	38
21	Somerville Lumber	38
—	Walker-Kurth	36
22	Seacoast Building Centers	35
—	Star Lumber	35
24	Kindt	33
—	M. G. Building Materials	33
—	Pay 'N Pak	33

*Company ranked "101st" on Top 100 Total Sales list and thus not included on main chart.
Source: *NHCN* Top 100—Total Sales

Ten retailers boosted total sales by 50% or more in 1983 over 1982 (as distinct from the growth in DIY sales only). The Home Depot capitalized on its fourth straight year in which sales volume more than doubled. The Atlanta-based chain was the only company in the Top 100 in total sales to achieve a doubling of sales during 1983. For many of the companies, sales benefited both from the rebounding home building market and increased consumer spending.

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84 diversifies product mix to lure retail consumers

EIGHTY FOUR, Pa.—84 Lumber, the home center industry's largest privately held retailer, maintained sixth place in total DIY sales last year.

The chain, which operates 374 stores in 40 states, increased its consumer sales 15% to $414 million in 1983. This volume represented about 60% of 84 Lumber's total of $690 million, also up 15% over the previous 12-month period.

The company eschews publicity, so information about its operations last year is scarce. However, the chain did appear to be making a greater effort to attract more retail consumers into its stores by diversifying its product mix in certain markets.

Last year, the company engaged the services of Moss Manufacturing, the Miami distributor, to bring in imported lines of ceiling fans, lawn and garden products, some tools and other items for its stores. At 84's Arlington, Tex., unit, for example, the company added about $60,000 to $65,000 worth of hard lines to its commodities mix, according to area manager Jim Scott, who added that the store was serving as a "prototype" of sorts for two other units in Houston earlier last year.

In its attempt to offer consumers all the products needed to complete a home improvement job, 84 Lumber also brought on such noncommodity items as Stanadyne/Moen and Midcor faucets; a wider range of kitchen cabinets and a more extensive paint and sundries line.

And, while the company has not jettisoned its "no frills" store environment—concrete floors, no heating or cooling systems, dim lighting—some physical changes were in evidence at several of its stores. Vinyl flooring covered the concrete in the hard lines departments at some of its stores, and the word "Home Center" began appearing in 84's advertising and on the outside wall and pylon signing at its stores.

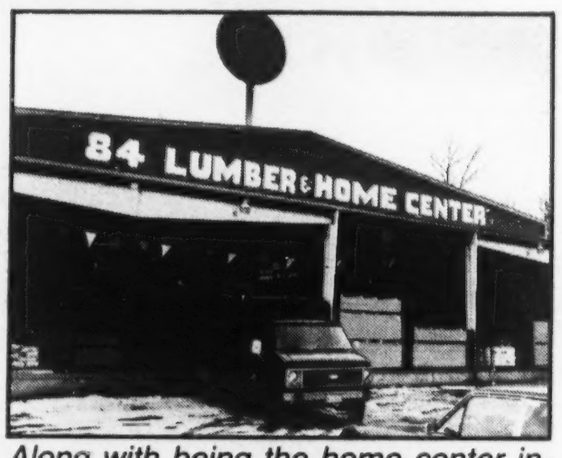
The chain has always had a reputation of being one of the lowest-priced commodities retailers in any given market. But now it has become all the more price conscious with its hard lines as well, another indication that the chain is trying to broaden its customer base. In recent ads all over the country, 84's president, Joe Hardy, is pictured as an insert inside a "letter" to customers promising that his stores will "lower prices."

As examples of this, 84 was selling a 52-in. ceiling fan, normally $124.84, for $68.84; an entrance lock was discounted to $4.84 from $6.84, and a telephone receiver—a product that would never have been offered in an 84 Lumber store two years ago—was retailing for $6.84.

Along with these merchandising changes, 84 Lumber continued to be one of the most aggressively expanding companies in the industry, having added 20 new stores to its chain last year. However, the company did close its Denver branch office in January 1983, and shuttered stores in Denver, Englewood, Colorado Springs, Colo., and Salt Lake City, Utah.

The remaining units 84 operates in Colorado, Kansas, Wyoming, Utah and New Mexico were placed under the aegis of its Arlington, Tex., regional office. "We felt it better to devote our expansion efforts to markets where our stores were better accepted," said 84's director of advertising Jeanene Tomshay, who told *NHCN* the markets where the chain closed stores last year had been "problematic" for several years.

In 1984, the company plans to open 30 new stores, the locations of which 84 Lumber officials would not reveal.



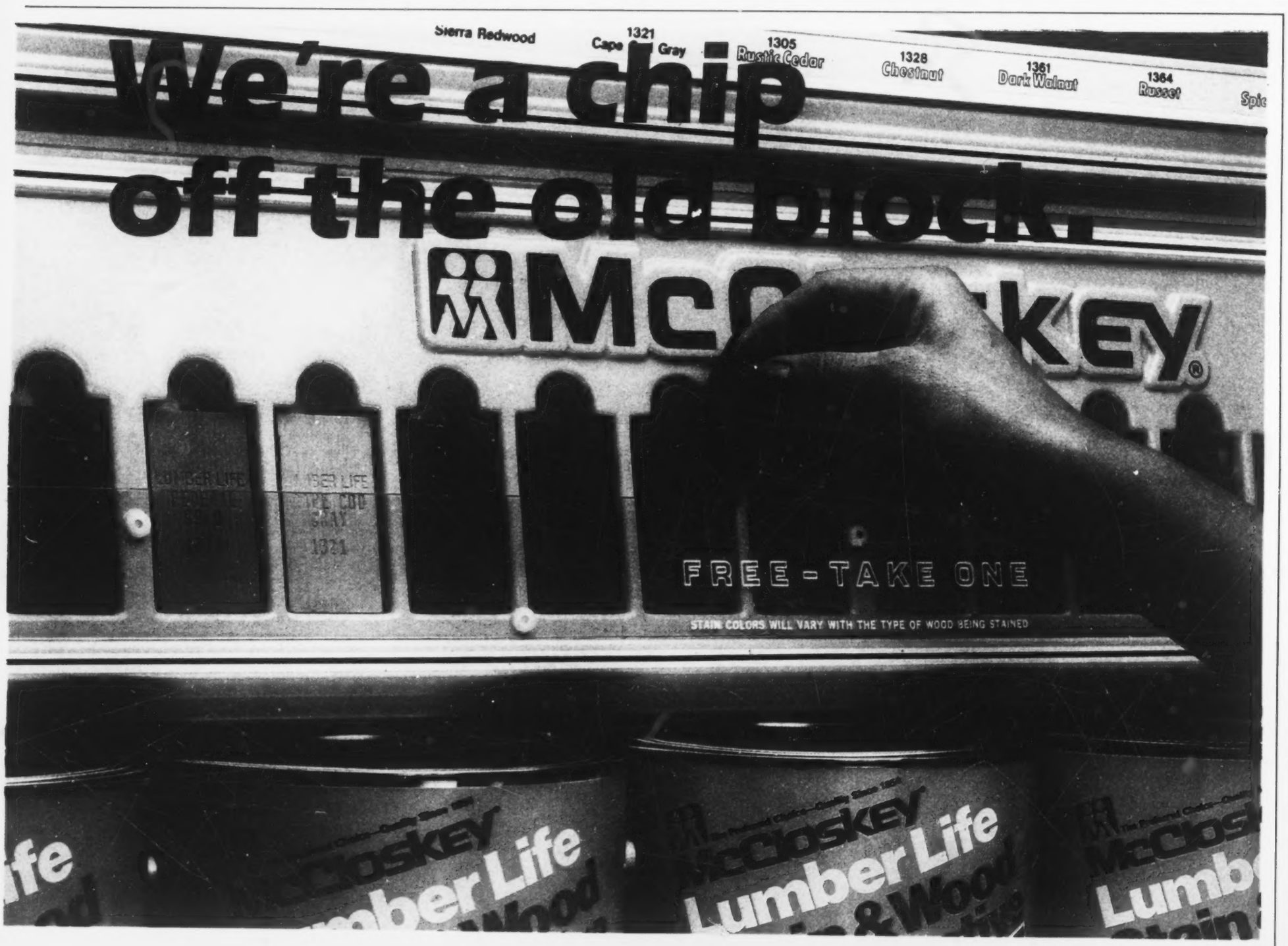
Along with being the home center industry's largest privately held retailer, 84 Lumber is also one of the most aggressively expanding companies, having added 20 new stores to its chain in the past year. NHCN photo

25 fastest growing chains by rate of DIY sales growth

Rank	Companies	% increase
1	Elk Supply	123
2	The Home Depot	117
3	Alexander Lumber	50
—	Strober Bros.	50
5	Westlake Hardware	44
6	Courtesy Home Centers	43
—	Payless Cashways	43
8	Homecrafters Warehouse	42
9	Edward Hines Lumber	40
10	Somerville Lumber	38
11	Anderson Lumber	35
—	Walker-Kurth	35
13	Pay 'N Pak	34
14	Fullerton Lumber	33
—	M. G. Building Materials	33
—	Kindt	33
17	Builderama	31
—	Jaeger Lumber	31
19	Handy Andy Home Improvement Centers	30
—	Mr. Goodbuys	30
21	Lezzer Lumber	29
—	Charles Meek Lumber	29
23	Hechinger	28
—	McCoy's Building Supply	28
25	Goodman Lumber	27
—	Lowe's	27
—	Robertson Cos.	27

Source: *NHCN*'s Top 100—Total Sales and DIY Sales—1983

By virtue of an 80% gain in total sales to $36 million and an increase from 65% to 80% in consumer orientation, Elk Supply, Clinton, Okla., beat out The Home Depot, Atlanta, among the companies with the largest percentage increases in DIY sales during 1983. The Home Depot, nonetheless, more than doubled its sales for the fourth consecutive year. Alexander Lumber, Aurora, Ill., and Strober Bros., Brooklyn, N.Y., enjoyed 50% increases in DIY volume last year. Alexander benefited from several replacement stores better able to serve DIYers while Strober Bros. saw sales grow significantly in 1983 at four stores opened during 1982.



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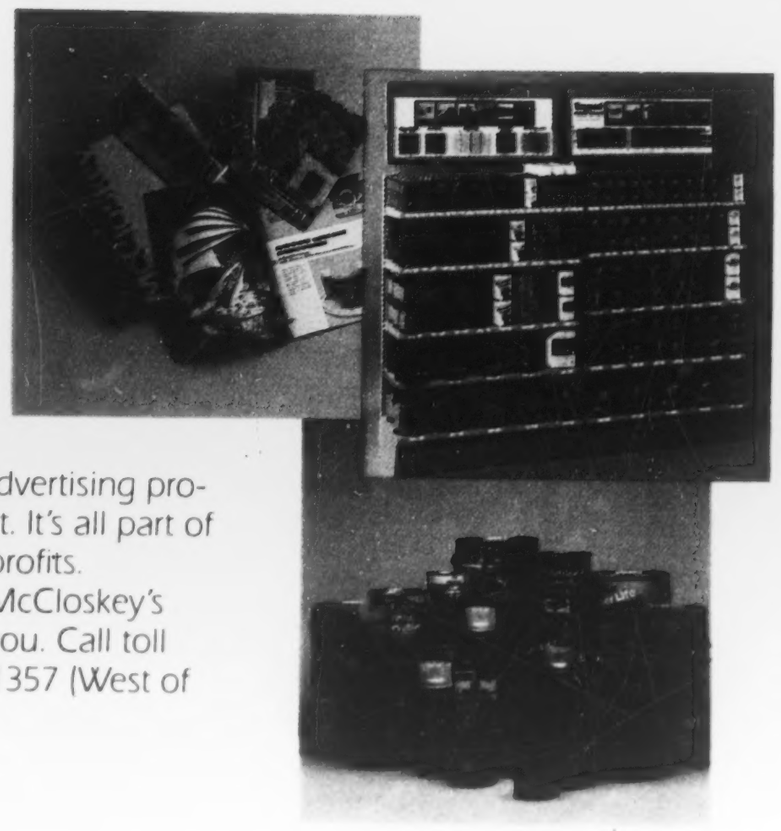

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Sutherland's year marked by growth, advertising

KANSAS CITY, Mo.—Sutherland Lumber launched the most aggressive expansion campaign in its history last year as its leadership, which shifted to the fourth generation of Sutherland's, enjoyed the fruits of an increased level of sales to consumers, resulting from a more energetic advertising campaign over the past three years.

By the end of 1983, the $423 million chain had expanded to 82 stores, from a total of 75 that were doing an esti-

Sutherlands

mated $345 million the year before. The chain plans to increase its store count to 86 by the end of 1984.

About 75% of the company's volume represents sales to consumers, a level of activity that is bound to increase as the company pursues do-it-yourselfer market not only through an increased tempo of advertising but also through new stores that are designed with the handyman and small contractor in mind.

Last year the company began to build larger, warehouse-type stores that are designed with individual markets in mind, rather than conforming to a definite cookie-cutter pattern.

The company took its first steps into warehouse-style retailing with an 80,000-sq.-ft. store in Tulsa, Okla., and an 84,000-sq.-ft. unit warehouse store in Euless, Tex., and then a 101,-000-sq.-ft. unit in Indianapolis in late November.

However, while the stores are all much larger than the traditional 30,000-sq.-ft. Sutherland unit, they differ in their particulars.

The Indianapolis store, called HouseMart, uses tall warehouse racking, while the new Sutherland warehouse store in Dayton uses more traditional shelving.

Further, the company plans to build both warehouse-style and traditional home center-style home centers in 1984. And late last year company officials began to speak of a "whole different concept" concerning a new store planned for Colorado Springs, where the chain already has one unit.

Early in 1984, the chain added still more diversity to its store mix by launching the first in a planned series of specialty hardware stores. Located in Little Rock, Ark., the new store covered only 7,000 sq. ft. of space and offered no lumber or building materials at all.

To further complicate the picture, the chain has begun to use a variety of names for its stores. Late last year the company changed the name of its older Indianapolis store to HouseMart, although that store's merchandise presentation share little in common with the new warehouse store of the same name in the city.

Earlier in the year, the chain opened a 40,000-sq.-ft. store in Euless under the name of Sutherlands Warehouse + Plus.

Finally, the chain has put the label of Crate Deals on its new, smaller hardware store experiment in Little Rock, Ark.

Part of the variation in store design and name may be because Sutherland is a tightly held family company in which groups of stores are owned by a variety of family members.

Sutherland's $381 million in DIY sales placed the company 7th on *NHCN*'s ranking of the top 100 DIY chains.

Sutherland's stable of stores include Warehouse + Plus stores and HouseMart units.

25 fastest growing chains by new store additions in 1983

Rank	Companies	No. of stores added in '83
1	84 Lumber	20
2	Payless Cashways	18
3	W. R. Grace	13
4	McCoy's Building Supply	12
5	The Home Depot	9
6	Hechinger	7
—	Sutherland	7
—	Westlake Hardware	7
9	Carter-Jones Lumber	6
10	Home-Pro Warehouse	5
—	Scotty's	5
12	Ernst Home Centers	4
—	Evans Products	4
—	O'Malleys	4
15	Lowe's	3
—	Ole's Home Centers	3
—	Stambaugh-Thompson	3
—	Wolohan Lumber	3
19	Elk Supply	2
—	Handy Andy Home Improvement Centers	2
—	Jaeger Lumber	2
—	Charles Meek Lumber	2
—	Menards	2
—	Pay 'N Pak	2
25	Pergament Home Centers	2
—	Rickel Home Centers	2
—	Hugh M. Woods	2

Source: *NHCN*'s Top 100—Total Sales and DIY Sales—1983

While 1983 reflected a relatively conservative level of new home center store expansion, compared to years past, retailers were clearly more aggressive than in 1982, led by 84 Lumber which added 20 new units last year, the same number by which it grew in 1982. Payless Cashways bettered its 1982 growth rate by four units, opening 10 new outlets in 1983 of its own, and purchasing seven Lumberjack stores and one Morrison Building Supply Center in Salina, Kan., during 1983. Other significant leaders in terms of store additions were: W. R. Grace with 13 more, including Channel Home Centers' invasion into the Washington area; McCoy's Building Supply, which has now added 17 stores in Texas in the last two years, and The Home Depot.

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Hechinger thinks big: major expansion plan in works

LANDOVER, Md.—For years Hechinger had a reputation as a well-managed, family-run company that operated extraordinary super stores, but only in one market, Washington.

In the past few years, as the company ventured into Baltimore and Pennsylvania, it became apparent that Hechinger had nurtured a merchandising appeal and operations controls that, indeed, could be exported. Still, Hechinger proceeded with customary caution.

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Until last year in January, the company announced an accelerated expansion program that called for seven new stores in 1983, including the first in North Carolina, followed by seven more stores in 1984.

By the end of 1983 the company was planning its most audacious move ever, an original venture that took the industry by surprise when it was announced early this year, an alliance with K mart to launch a national chain of warehouse-type home centers called The Home Team.

Amid the excitement of expansion and new strategies, Hechinger did well. As the industry enjoyed a strong year with the economy flourishing, Hechinger experienced some record-breaking periods.

Fourth quarter sales were up 40% to $79 million from $56.4 million and earnings reached $5.1 million, the strongest quarter ever for the company.

Sales for the year totaled $309.5 million, 28% ahead of the $241.3 million in sales during 1982, while earnings were up 38% to $16.2 million from $11.7 million.

The performance, while helped by the strengthened economy, also reflects certain merchandising strategies that the company was aggressively pursuing. Long tagged a high-priced chain—management claims unfairly—the company for the first time took major steps to fight that image head on, with a 5%-off pricing policy.

While the new pricing was possibly prompted by the need to compete in newer markets like North Carolina, where it invaded turf long dominated by Lowe's, Hechinger also adopted the pricing strategy in metro Washington, its backyard, which was invaded by Channel.

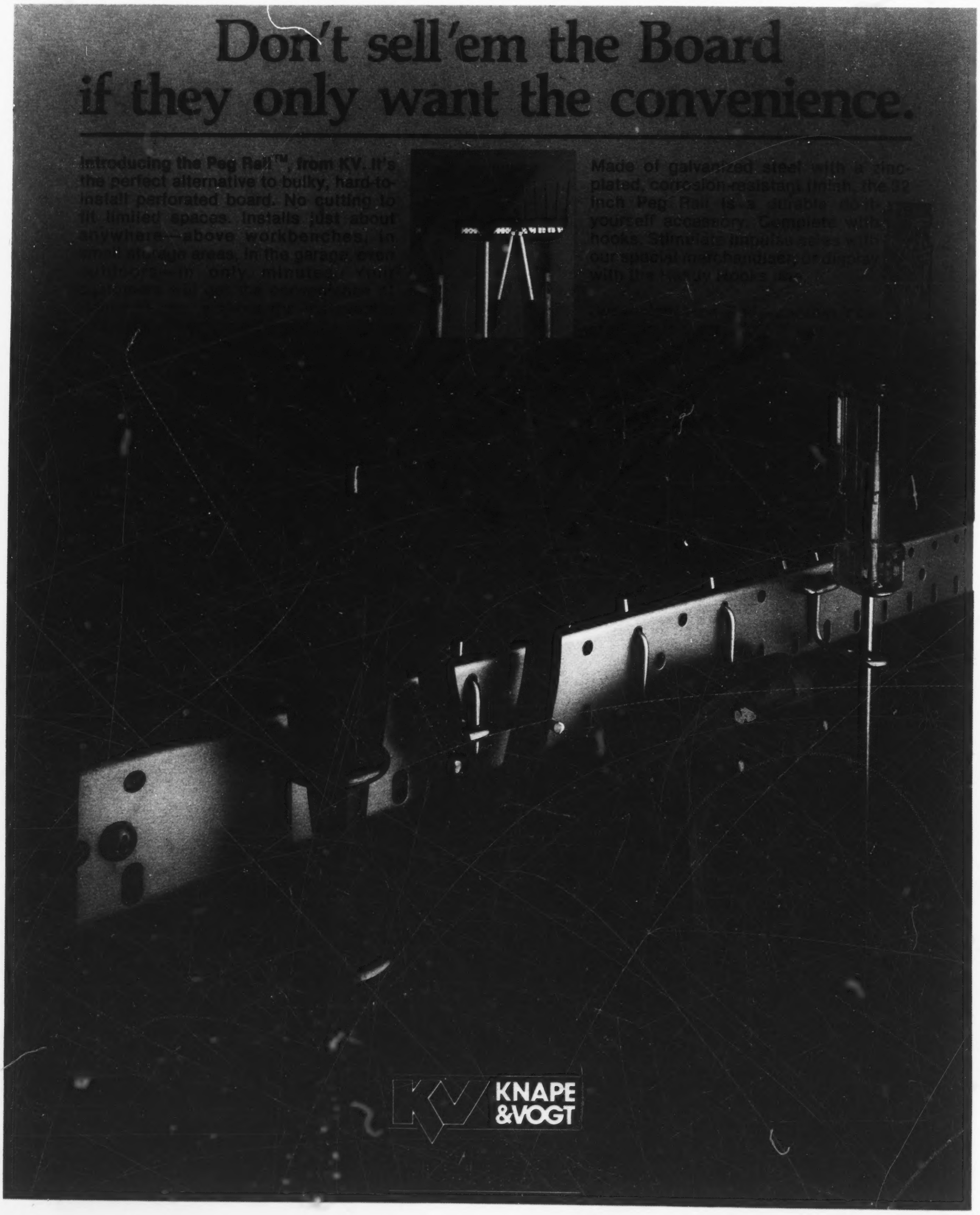
Simultaneously, Hechinger tinkered dramatically with its prototype in some new stores, eliminating a wall that normally separated 40,000 sq. ft. of gleaming retail space from 20,000 sq. ft. of warehouse-like building material storage.

The stores that effected the alteration became 60,000 sq. ft. of open space that resembled, in some respects, the warehouse-type home centers that are captivating the imagination of the industry and the public.

In still another change from past Hechinger business practices, some new units were takeover stores, not built from the ground up. The change in approach was needed to meet the rapid expansion schedule.

Amid all the change, though, at least one thing remained the same—tight family control over the business persisted. After 600,000 shares of additional common stock were issued early in the year—along with 675,000 shares sold by the family—in order to capitalize the expansion, two classes of stock were later created to broaden Hechinger stock's base, while maintaining family control.

In early 1984, Hechinger announced its joint warehouse store venture with K mart to be called The Home Team. Left to right: Hechinger finance vp Stephen Bachand, ceo of the new company; Richard England, Hechinger chairman; K mart chairman Bernard Fauber, and John Hechinger. president.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25 largest chains by total store count

Rank	Companies	No. of stores
1	84 Lumber	374
2	Evans Products	345
3	W. R. Grace	286
4	Wickes	282
5	Lowe's	238
6	Carter-Jones Lumber	136
7	Lanoga	127
8	Payless Cashways	118
9	Scotty's	105
10	Pay 'N Pak	100
11	Diamond Lumber	97
12	Great Plains Supply	92
13	Boise Cascade	85
14	Sutherland	82
15	Copeland Lumber Yards	80
16	Handyman	77
17	Ernst Home Centers	72
18	West Building Materials	65
19	Orscheln Farm & Home Supply	61
20	Alexander Lumber	60
21	Fullerton Lumber	50
—	McCoy's Building Supply	50
23	Foxworth-Galbraith Lumber	49
24	Lampert Lumber	47
25	Pergament Home Centers	42

Source: *NHCN*'s Top 100—Total Sales and DIY Sales—1983

84 Lumber, with 20 more stores in 1983 than in 1982, continued to lead the home center pack both in terms of number of stores in operation and the number of new net outlets opened. The Pennsylvania-based chain had 374 units at year-end 1983 and plans another 30 units this year. Ten companies—the same number as last year—operated 100 stores or more at year end, but the line-up has changed slightly. Scotty's and Pay 'N Pak opened their 100th store during 1983 while Diamond Lumber and Great Plains Supply, through unit closings, fell below 100 outlets during the year.

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National Home Center News

Rickel gearing up for accelerated expansion

SOUTH PLAINFIELD, N.J.—Rickel Home Centers here cracked into the industry's top 10 list in DIY sales last year, as it continued to remerchandise and remodel many of its 36 stores.

In 1983, Rickel, which is owned by Supermarkets General Corp. in Woodbridge, N.J., had sales increases of 23% to $275 million, of which 100% came from DIY transactions.

These sales gains were partly attributable to a three-year program, which approached completion in 1983, in which Rickel has subleased close to 350,000 sq. ft. of its retail selling space to such leasees as Filene's Basement and Herman's World of Sport.

Rickel grew by two stores in 1983, opening two 45,000-sq.-ft. units in Glenolden, Pa., and Newark, Del., with both stores adjacent to Pathmark Super Centers. Pathmark is Supermarket General's 130-unit supermarket chain.

However, it appears that Supermarkets General will expand the Rickel chain a bit more aggressively in 1984. The company has earmarked $110 million for capital expenditures, 15% above what was spent in 1983, to be used to open four new Rickel stores, eight Pathmarks and eight drug stores. "This is the first year of an accelerated new store expansion program from Rickel," said an official for Supermarkets General.

Over the past five years, the parent company has opened only 14 Rickel stores, and its president and ceo, Leonard Lieberman, told a group of security analysts last year that the corporate plan was to increase that rate over the next five years.

The home center chain's growth will take it into two new markets in 1984. Rickel plans to open a 40,000- to 45,000-sq.-ft. unit in Norwalk, Conn., its first store in the Nutmeg State. The competition in the market is stiffening, as Pergament Home Centers opened a Norwalk unit in October 1982, and Lloyd Home and Building Centers and Grossman's also operate units there.

It cannot be said that Rickel is shying away from any competitive battles. The other new market into which it will move this year is Baltimore, where Channel Home Centers will also be opening several sites. This market is also being serviced by such noteworthy home centers as Hechinger, The Hardware Fair, Scott's and Inner Harbor.

Company chairman Stanley Abramson told *NHCN* that it was a "safe presumption" to expect other Rickel outlets to join its first Maryland store in Baltimore eventually.

Rickel's other two store openings in 1984 will be in existing markets, according to company officials.

Rickel has also recently delved into warehouse retailing. It is currently remodeling its Warminster, Pa., unit into a warehouse format as a test store, although company officials would not comment on whether other similar remodelings were imminent.

The chain has been remodeling its other stores along more conventional lines, and has reported increases in sales as a result. Earlier in 1983, the company spent $500,000 to retrofit its 42,500-sq.-ft. Paramus, N.J., unit—one of the three original Rickel stores still operating in its first location—in an effort to boost the sales of a store that does an estimated $10 million per year. Rickel's stores average $6 million to $7 million in sales.

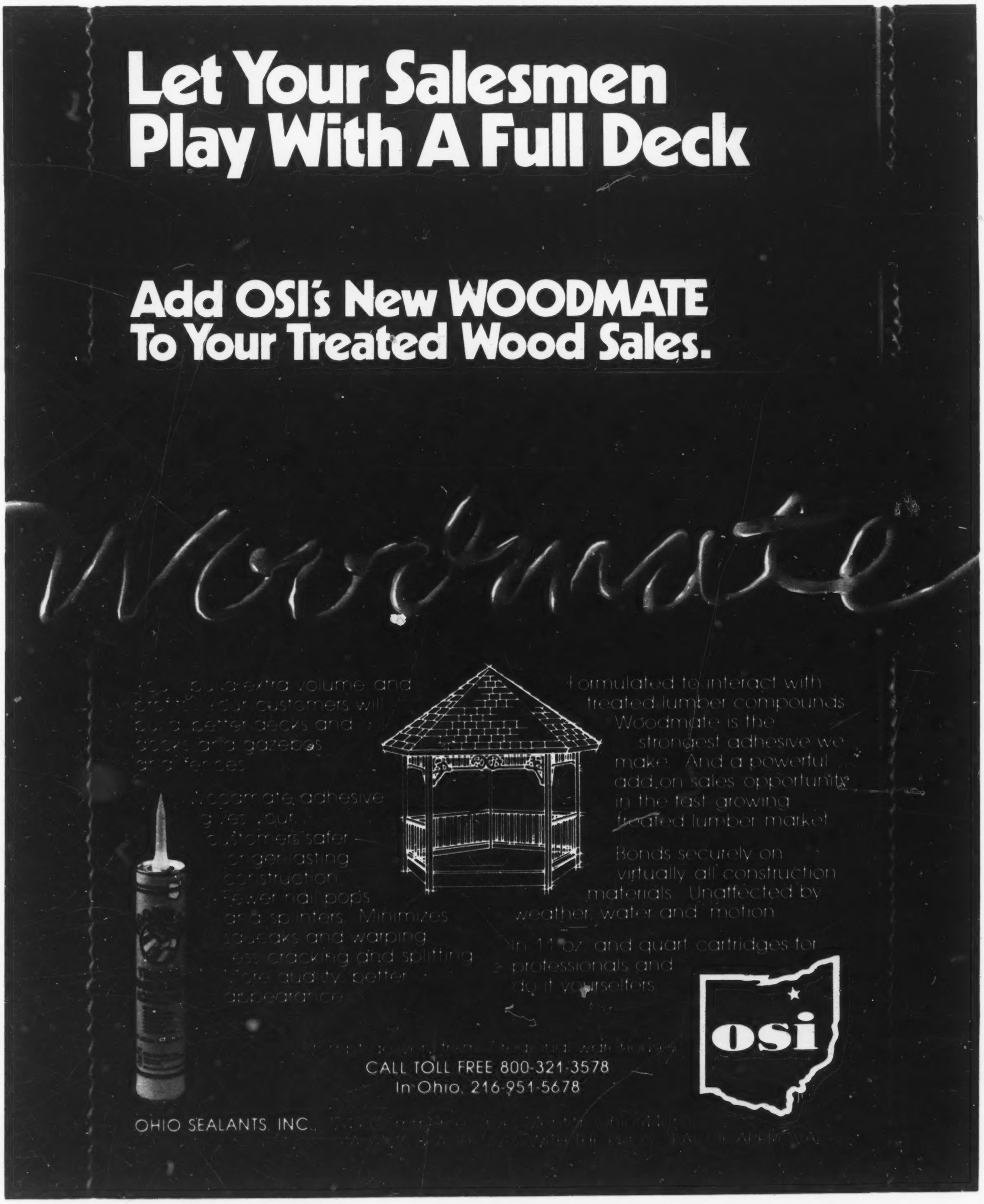
Rickel will move into Baltimore this year where home center competition is heating up. Stanley Abramson, Rickel chairman, felt it was a "safe presumption" that in the future additional Maryland units would be added.

25 top chains in DIY productivity

Rank	Companies	Average DIY sales/ store
1	All American Home Center	$23.0
2	Somerville Lumber	20.0
3	The Home Depot	13.5
4	Courtesy Home Centers	12.5
5	Sackett & Peters	11.0
6	National Lumber*	9.5
7	Menards	9.2
8	Knox Lumber	8.9
9	M. G. Building Materials	8.0
10	Hechinger	7.6
—	Rickel Home Centers	7.6
—	Goodman Lumber	7.6
13	Weyerhaeuser	7.5
14	Payless Cashways	7.0
—	Star Lumber	7.0
16	City Mill	6.8
17	Central Hardware	6.7
18	Mr. Goodbuys	6.5
19	Handy Andy Home Improvement Centers	6.4
20	Forest City	6.3
21	Ole's Home Centers	6.1
—	Hugh M. Woods	6.1
23	Homeowners DIY Centers	6.0
24	Brewster's	5.3
25	Walker-Kurth	5.2

*based in Santa Ana, Calif.
Source: *NHCN* Top 100—DIY Sales, 1983

Two independents on opposite coasts led the Top 100 home centers in terms of do-it-yourself sales per store last year as they did in 1982. All-American Home Center, Downey, Calif., totaled $23 million in consumer volume in its single unit while Somerville Lumber, Somerville, Mass., purchased by Payless Cashways in March, averaged $20 million in DIY sales at its two outlets last year. The Home Depot, Atlanta, No. 3 in 1982, was also No. 3 in 1983 averaging $13.5 million in consumer volume in its 19 stores, although some of the chains individual stores are currently producing over $20 million annually. Other chains to average better than $10 million per store in DIY sales were Courtesy Home Centers, Chicago, at $12.5 million and Sackett & Peters, Whittier, Calif., at $11 million.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Scotty's maneuvers for position amid Florida boom

WINTER HAVEN, Fla.—Heartened by Florida's growing population base, and stimulated by the arrival of warehouse store competition, Scotty's spent 1983 not only drawing an improved earnings picture, but also developing plans to position itself strategically in a more competitive marketplace.

By the time 1983 had rolled to a close, Scotty's was able to report earnings of $3.3 million for the final calendar quarter, a 97% increase over the same three months of the previous year.

The volume of sales moving through the chain's 105 stores totaled $100.4 million for the final quarter of last year, which was actually the company's second fiscal quarter. This represented a 25% increase over the same three months of the previous year.

At the same time, gross margins had increased from 29.27% to 30.7%.

An increased level of construction in Florida was clearly a major factor in the rebound at Scotty's, which earlier in the year had been the object of some concern by stock analysts. During the final quarter of last year, volume of sales to builders increased by some 66.2%, to $31.3 million. This represented 31.2% of the company's volume for the quarter, up from 23.8% during the same quarter of the previous year.

For the year Scotty's earned $14 million on sales of $399 million, 68% of which went to DIYers.

This performance set an attractive stage for the presentation of a number of dramatic plays prepared by the chain during 1983 for performance earlier this year:

- The purchase of 51 acres of land, to effectively double the size of the acreage the company owns surrounding its headquarters in Winter Haven.
- A doubling of the space devoted to its manufacturing effort, which tripled its roof truss production during 1983.
- Launching a renovation program to increase the space of various departments at its headquarters site, including a doubling of the space made available to its management information systems department.
- The launching of a new chain of specialty hardware stores, strategically positioned between the company's larger stores to facilitate servicing by delivery trucks moving out of the distribution center.

These moves represent part of a larger plan being carried out by the chain to maneuver itself into a stronger position in the Florida market which, according to Scotty's president Ray Cooney, is experiencing an influx of some 700 new residents daily.

Late last year, after the chain had opened its largest store—a 59,000-sq.-ft. facility in Temple Terrace, a suburb of Tampa—Cooney addressed a group of security analysts in New York to outline a number of steps about to be taken by the chain.

These included plans to increase the number of stock keeping units in the stores, to rely more heavily on its distribution center to purchase merchandise more economically, to temporarily reduce gross margins to battle the competition and to boost productivity to increase earnings.

25 largest chains: total retail space

Rank	Companies	Total Selling Area (thousands sq. ft.)
1	W. R. Grace	11,150
2	Evans Products	7,200
3	84 Lumber	4,500
4	Scotty's	3,860
5	Wickes	3,600
6	Handyman	3,100
7	Payless Cashways	3,090
8	Ernst Home Centers	2,590
9	Lowe's	2,530
10	Pay 'N Pak	2,240
11	Hechinger	1,790
12	Rickel Home Centers	1,750
13	Sutherland Lumber	1,600
14	Boise Cascade	1,530
15	The Home Depot	1,520
16	Forest City	1,500
17	Ole's Home Centers	1,400
18	Central Hardware	1,350
19	Carter Lumber	1,200
20	Menards	1,050
21	Pergament Home Centers	1,000
22	West Building Materials	950
23	Orscheln Farm & Supply	900
24	McCoy's Building Supply	750
25	Lanoga	725

Source: *NHCN* Top 100 DIY sales, 1983; reflects selling area available to consumer shoppers; figures do not include storage sheds and warehouses.

More than 20 home center retailers now operate in excess of 1 million square feet of retail selling space in the United States, not including additional property devoted to storage and receiving. W. R. Grace continues to be the giant in home center real estate, with an estimated 11.2 million sq. ft. of space, boosted in part last year from the addition of its new 70,000-sq.-ft. House Works warehouse stores. Evans Products and 84 Lumber, both with more stores than W. R. Grace, continue to dominate by sheer numbers of stores. The top 25 companies on the basis of square footage collectively operated 62.9 million sq. ft. of home center selling space.

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DIYers not balking at tougher electrical jobs

NATIONAL REPORT—Although home improvement retailers in general will increase their market share of electrical products only slightly over the next decade, home centers will out-perform both hardware stores and contractor-oriented lumber outlets.

This conclusion, from a recently released report prepared by Frost & Sullivan, the New York research firm, comes at a time when the do-it-yourselfer is casting a much friendlier eye on more complicated home electrical projects (*NHCN*, April 11, 1983).

Consumers are much more likely today to turn their DIY skills toward projects such as light switch and receptacle box replacements, according to the *NHCN* article.

Last year, a spokesman for the "Doctor Wally" question-and-answer service at Channel Home Centers reported that consumers were becoming much more confident in their ability to do their own electrical maintenance.

"Home centers will continue their dominance of the retail sector," noted the Frost & Sullivan report, titled, *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

Growing confidence of the DIYer is seen as the primary reason why home centers' share of the market will increase to 11% by 1990, compared with 9% in 1982 and only 4.4% in 1971.

Home center sales of electrical products are expected to top $1 billion in 1967 dollars, by 1990, a marked improvement over the $445 million worth of products that pass through home centers presently.

Market share captured by hardware stores, on the other hand, is expected to decline by 1990, to a level of only 4%, a figure that compares with 6% in 1982, according to the report.

Furthermore, contractor-oriented lumber outlets are not expected to increase their share over the 2% which they now hold, a figure that has actually declined somewhat from the 2.6% level of 1971.

As a result of the poor prospects expected in this category for hardware stores and contractor outlets, Frost & Sullivan forecasts only a 17% market share for home improvement retailers in general, in the field of electrical supplies, by 1990. This is the same market share the stores enjoy today, but represents a solid improvement over the 12.4% level of a decade ago.

Home center sales of electrical products are expected to top $1 billion in 1967 dollars, by 1990, a marked improvement over the $445 million worth of products that pass through home center doors presently.

Sales of residential lighting fixtures, which were tracked separately from electrical products by the Frost & Sullivan study, are expected to continue to increase at home centers, which should increase their market share from the 11% level of 1982 to an estimated 17% by 1990. The dominance enjoyed by home centers in this category is reflected in the fact that Frost & Sullivan forecasts that hardware stores will have only 4% of the market in this merchandise category by 1990, and that contractor-oriented stores will command no significant market share.

According to the "Bottom Line Report for Home Centers," released recently by the Home Center Institute, electrical supplies accounted for some 7% of home center net sales in 1982. The stores received an average of $131.59 per square foot for the product category, a level that represented the sixth best performance of the 14 product categories tracked by the Institute.

Importantly, the home centers achieved an average gross margin of some 38.6% for this product category, a level that was the highest of any category tracked by the Institute, except for hardware. The gross margin return on investment (GMROI) for the category was also the highest received except for hardware, coming in at 1.70.

The results of the Frost & Sullivan study may indicate a future shift in the merchandising plans of home centers, only half of which, according to a brands study published recently by *NHCN*, carry the category of electrical and lighting fixtures at all (*NHCN*, Oct. 10, 1983).

Only 26.3% of Northeastern home centers carried electricals at all, compared with 56.6% to 58.3% of home centers in other regions of the country.

Larger firms are more likely to carry electricals than are smaller companies, according to the *NHCN* survey. Of those chains with over 10 units, some 63.2% carry electricals, while only a third of single unit independents do so.

Home centers may turn renewed attention toward this category, as more DIYers become attuned to the difficult skills required for sophisticated electrical home projects, and as the high productivity for the category becomes apparent.

ELECTRICAL SUPPLIES

Sales/sq. ft.	% of net sales	% of floor space
$131.59	7.0%	7.7%
Gross margin	**Sales to inventory ratio**	**GMROI**
38.6%	4.4x	1.70

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Electrical supplies accounted for 7% of home center net sales in 1982. The stores received an average of $139.59 per square foot for the product category, a level that represented the sixth best performance of the 14 product categories tracked.

THE *NHCN* ANNUAL REPORT ON THE HOME CENTER INDUSTRY

Plumbing & energy tilt toward consumer trend

PLUMBING, HEATING & COOLING

Sales/sq. ft.	% of net sales	% of sales floor
$121.78	9.0%	10.7%
Gross margin	**Sales to inventory ratio**	**GMROI**
36.0%	4.8x	1.73

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

According to the Home Center Institute, plumbing, heating and cooling products accounted for 9% of home center net sales in 1982, and stores received an average of $122 per square foot for the category.

NATIONAL REPORT— Home improvement retailers are expected to capture twice the market share of plumbing fixtures and nonelectrical heating products by 1990 than they had in 1971, according to a report released earlier this year by Frost & Sullivan.

Home centers are expected to do even better than hardware stores and contractor-oriented lumber outlets, according to the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channels.*

Home centers are expected to capture 27% of the total retail movement of plumbing fixtures by 1990, a figure that compares with 19% in 1982 and only 7.3% in 1971.

At the same time, they are expected to capture 7% of the nonelectrical heating products movement by 1990, a figure that compares with 6% in 1982 and only 1.6% in 1971.

"The products in this group are becoming increasingly consumer-oriented over the years and the share of their sales accounted for by hardware, lumber and building materials retailers continues to rise," said the report.

Plumbing departments were reported as fast growing ones by many home center chains last year. A number of chains increased their assortments of plumbing products, even at the expense of some margin, in an attempt to increase volume and turns (*NHCN*, June 6, 1983).

Such dealers pointed out that the plumbing department was one that "you could build your reputation on." United Building Centers, Winona, Minn., allocated 15% to 20% of its floor space to the department, doubled the plumbing inventory, increased stock keeping units to between 800 to 1,000, and boosted plumbing promotion dollars from 5% to 15% of the firm's overall budget.

Hot water heaters were said to be popular products, in particular, at a number of chains last year. Even some chains that stock no other heating or cooling products carry the item.

An example was Braver Lumber, Detroit, where buyer Bob Miller said that most customers either knew how to install the item on their own, or knew someone who could.

Clearly, however, the rapid increase in market share captured by home centers accounts for the overall doubling of market share accounted for by home improvement retailers in general. Taken as a whole, home improvement retailers are expected to capture 35% of the plumbing fixtures market by 1990, compared with only 28% in 1982 and 15.8% in 1971.

The same stores are expected to capture 10% of the nonelectrical heating market by 1990, compared with 11% in 1982 and only 5.1% in 1971.

Neither hardware stores nor contractor-oriented lumber and building materials stores are expected to increase their market share significantly.

Hardware stores are expected to retain only roughly the same plumbing fixtures market share, around 4% to 5%, in the future as they have in the past 10 years. And their share of the nonelectrical heating product market is expected to remain roughly the same 3% in 1990 that it was in 1971.

On the basis of actual 1967 constant dollars, home centers are expected to sell $355 million worth of plumbing fixtures by 1990. In 1982, their estimated dollar movement was $142 million.

Home centers are expected to capture 27% of the toal retail movement of plumbing fixtures by 1990, a figure that compares with 19% in 1982 and only 7.3% in 1971.

As far as nonelectrical heating products, Frost & Sullivan forecasted that sales through home centers would total $262 million in constant 1967 dollars by 1990, a figure over twice the level of 1982. In 1971, such stores sold only $16 million worth of the products.

According to the Home Center Institute, plumbing, heating and cooling products accounted for 9% of home center net sales in 1982, and such stores received an average of $122 per square foot for the category. The 36% gross margin received is the fourth highest for the 14 categories tracked by the institute. Because the category receives an average of 4.8 turns, the GMROI is 1.73, according to the institute, making it the fifth best performing category in their study.

Sales of stoves and fireplaces at home centers are expected to top $56 million in 1967 dollars by 1990, a figure that compares with $28 million estimated for 1982 and $4.1 million in 1971. Sales dropped sharply from a $43.5 million level in 1980 to a $36.5 million level in 1981. Home centers are expected to maintain roughly the same 22% market share in 1990 that they had in 1982.

Imported plumbing fixtures make up an estimated $55 million, or about 5.5% of the market, representing a considerable increase from the 0.3% they commanded in 1971.

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Paint sales stir fight for bigger market share

NATIONAL REPORT—The future looks good for home centers selling paint and paint sundries as they are expected to have 40% of the entire retail paint market, and 35% of the retail paint sundries market, by 1990.

But this market share will be hard-won as the retail paint market—one of the most competitive within the home improvement industry—will find more people fighting for a slice of the paint business pie, which currently has only a 4% annual growth rate.

Competitive pricing and strong advertising campaigns are expected to help make home centers gain that larger slice.

Home centers had 27% of the total retail paint market in 1982, equaling $667 million, in constant 1967 dollars, and home center sales are expected to rise to $1.5 billion by the end of the decade, according to newly published Frost & Sullivan research called *Markets and Strategies for Selling Home Improvement Products Through the Retail Chains.*

Similarly, home centers, hardware stores and contractor outlets are expected to increase their market share of retail paint sales to 62%—$2.3 billion in constant 1967 dollars—by 1990. Two years ago, their market share was 51%, with $1.3 billion.

Constant promotions have already undercut margins to 10% to 15% lows on nationally known brands, and manufacturer penetration of discounter markets has made many retailers afraid that margins will sink even lower.

The industry had 40% of the paint sundries market share in 1982, with sales totaling $310 million, in constant 1967 dollars, and is expected to have 50% of that market, worth $589 million in constant 1967 dollars, by 1990.

In addition, the paint, varnish, brushes and rollers market share is expected to increase from 1982's 28%—some $60 million in sales, in constant 1967 dollars—to 37%, valued at $116 million, by the end of the decade.

Thirty-five per cent of the paint sundries market, valued at $415 million in sales, in 1967 dollars, and 27% of the paint, varnish, brushes and rollers market, worth $87 million, are expected to be held by home centers by 1990.

Home centers and discounters will be going head-to-head in this market more frequently now, as manufacturers expand their lines of distribution.

The industry's leading paint supplier, Glidden, began selling paint to K mart last May. Sears, which already owns 20% of the retail paint market, sought to tighten its hold by initiating a chain of smaller, "convenience-type" paint and hardware stores last year.

In addition, specialty paint chains, such as Standard Brands and Color Tile, are adding pressure on home centers to keep their prices competitive, and to advertise heavily.

Constant promotions have already undercut margins to 10% to 15% lows on nationally known brands, and manufacturer penetration of discounter markets has made many retailers afraid that margins will sink even lower.

Consequently, the debate about private label brands continued last year. For though they offer higher margins at lower retail prices to the consumer than the national brands, they carry the risk of fewer turns.

However, most retailers still find carrying name brands essential for pulling in traffic. Manufacturer ad campaigns—Glidden allocated a massive $10 million for advertising last year—give them high consumer recognition.

A different kind of media exposure for paints and paint sundries also occurred last year, with the law courts becoming involved: It is now illegal to sell spray paints and some adhesives on self-service displays in Texas, because of adolescent and child drug abuse.

Also, two Taiwanese companies making and distributing knock-offs of Wagner Spray Tech.'s airless paint sprayers were permanently enjoined by Federal District Court from manufacturing, exporting, importing or selling them in America.

Home center had 27% of the total retail paint market in 1982, equaling $667 million, in constant 1967 dollars, and stores received an average of $137.37 per square foot for the category.

PAINT & HOME DECOR

Sales/sq. ft.	% of net sales	% of sales floor
$137.37	9.2%	9.7%
Gross margin	**Sales to inventory ratio**	**GMROI**
37.5%	5.2x	1.95

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

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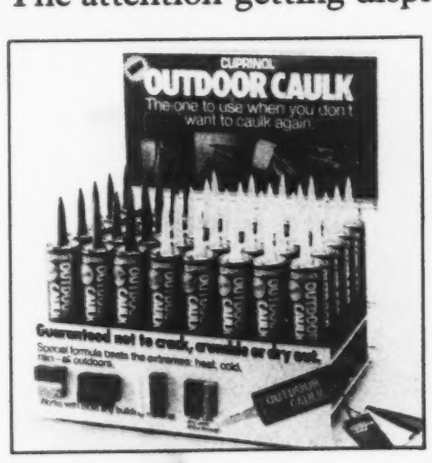

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Home center hardware sales climbing rapidly

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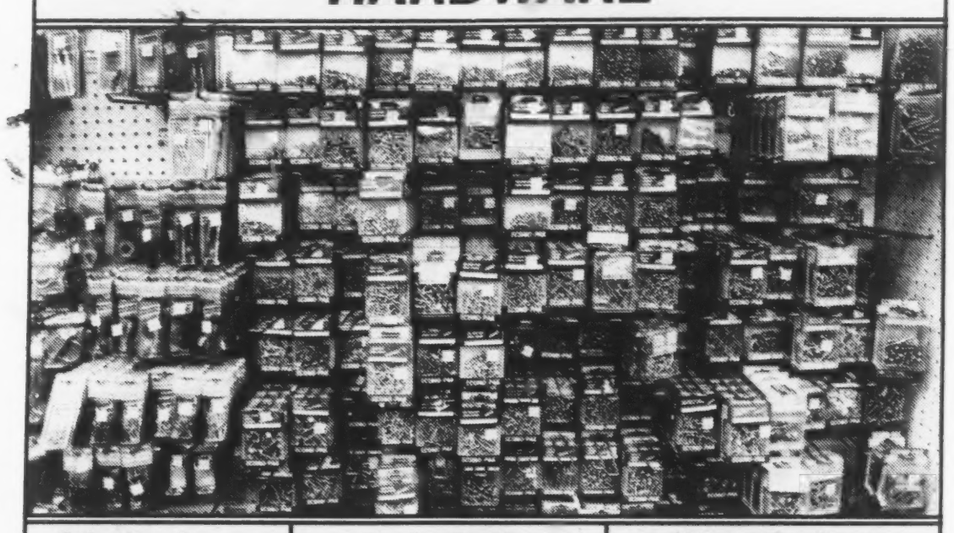

Sales/sq. ft.	% of net sales	% of sales floor
$139.13	9.8%	10.2%
Gross margin	**Sales to inventory ratio**	**GMROI**
40.9%	4.6x	1.88

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Hardware sales averaged $139.13 per square foot, according to a Home Center Institute report, a figure that was higher than any other category tracked except for building materials, lumber and miscellaneous goods.

NATIONAL REPORT—The percentage of hardware sales made through home centers is expected to increase markedly over the coming decade, according to a report recently released by Frost & Sullivan, the New York market research organization.

"In the next ten years, we believe that the percentage of hardware sold through retailers will increase only slowly, but home centers will become more and more dominant," stated the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

The reason for the increasing market share being captured by home centers is that they offer the greater variety of products and services required by the growing do-it-yourselfer movement, according to the report.

The study estimated that home centers accounted for some 37% of all hardware sales in 1982, but that the figure would grow to 46% by 1990.

Furthermore, the trend in such sales has been increasing steadily since 1971, when home centers accounted for only 16.9% of such sales.

On the other hand, the market share captured by hardware stores is expected to decline. While such stores captured 14.8% of the market in 1971, and had increased their market share to 18% in 1982, this figure is expected to drop to 13% by 1990.

Contractor-oriented lumber and building material stores are also expected to experience a steady loss in market share, which had totaled 15.7% in 1971, 14% in 1982 and is expected to decline to 11% by 1990.

Movement of hardware through retail stores is expected to account for more of the category's market share in general over the coming decade. Retail stores moved only 47.4% of all hardware sold in 1971, but had captured 64.2% of the market a decade later.

Retail stores should be capturing 70% of hardware movement by 1990, according to the report.

Home centers sold an estimated $739 million worth of hardware in 1982, in constant 1967 dollars, a figure that is expected to rise to $1.2 billion next year, and to $1.6 billion by 1990.

Hardware is the fourth largest selling category of merchandise in home centers, according to a report recently by the Home Center Institute.

The category accounted for 9.8% of home center net sales in 1982, according to the report, entitled "The Bottom Line for Retail Home Centers."

Hardware sales averaged $139.13 per square foot, a figure that was higher than that of any other category except for building materials, lumber and miscellaneous goods.

Home centers achieve an average gross margin of 40.9% for hardware, higher than that for any other category, according to The Bottom Line.

As a result, hardware's gross margin return on investment (GMROI) of 1.88, based on a turn of 4.6, makes it the best performing category carried by home centers, outside of paint and home decorating.

By 1990, according to Frost & Sullivan, hardware shipments moving through both retail and nonretail outlets should total $1.6 billion, a figure 47% higher than that for 1980.

The reason for the increasing market share being captured by home centers is that they offer the greater variety of products and services required by the growing DIY movement.

Although firm statistics on imports are not available, Frost & Sullivan estimated the share of the market taken up by imports as between 5%-6% of total shipments.

Canada accounts for the largest share of hardware imports, according to the report.

Home centers began to take closer looks at their fastener departments last year, moving to improve performance in the category by adding stock keeping units, increasing the level of inventory and offering more attractive point-of-purchase displays (*NHCN*, Feb. 13).

For example, Stambaugh-Thompson began packaging its own fasteners to make the product more attractive to consumers, and increased its stock keeping unit count from 300 to 2,000. These steps, taken together, have improved business to the extent that the chain plans to implement them in all 17 stores by the end of this year.

Boise Cascade developed two prototype fastener departments, while Lowe's and Levy's both added 20% more sku's to their departments.

Many chains reported earlier this year that fasteners offered high margins and volumes that can make a big difference in their hardware departments.

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Power tool sales shift to home center market

NATIONAL REPORT—Sales of power tools are expected to grow some 126% from now until 1990 at home centers, at which point that category of store will have captured 23% of the product's market, according to a new report from Frost & Sullivan, the New York research firm.

Retail stores in general will not capture significantly more market share in the future than the 35% which they currently have, according to the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channels.*

Indeed, both hardware stores and contractor-oriented lumber and building supplies stores are expected to lose market share in this product category. Hardware stores had captured about 9.3% in 1971, but the figure had fallen to 9% by 1982, and is expected to fall to 7% by 1990.

Experiencing the most dramatic decline are the contractor-oriented stores, which had 11.8% of the retail power tool market in 1971, a figure which had fallen to an estimated 7% by 1982 and which is expected to fall still further, to 5%, by 1990.

These trends are in contrast with the upward trend at home centers, which possessed 16% of the product movement in 1971 but had increased their share to an estimated 19% by 1982, with market share forecast to reach 21% in 1985 and 23% in 1990.

Home center sales in the category, which were $103.6 million, in constant 1967 dollars, in 1971, had increased to $211 million by 1982 and are expected to hit $477 million by 1990.

Recently, home center operators reported that stationary power tools were experiencing a revival, after several years during which the collapse in the housing market caused such sales to plummet. (*NHCN*, April 23)

The home centers recently interviewed by *NHCN* reported that the 10-in. table saw has emerged as the best selling of all bench tool products. They were planning to either expand the lines they carried, or to add such lines if they currently did not carry them in some stores.

Truckload sales have also proven themselves as popular means of creating additional excitement in the power tool category. They allow home centers to get quick, volume sales at good margins.

American vendors have countered the aggressive entry of imported power tools by promoting better quality and higher priced tradesmen lines.

Retailers have expressed some skepticism about the willingness of the American consumer to pay higher prices for power tools, and stated that manufacturers had yet to "create" a higher end market. (*NHCN*, April 25, 1983)

Despite the healthy increase in market share enjoyed by home centers, power tools still do not account for a significant portion of their net sales. A survey conducted by the Home Center Institute, published under the title of the "Bottom Line" report for 1983, found that power tools were the least significant of 14 product categories tracked, accounting for about 2.4% of net sales, and covering only an average of 3.1% of home center sales floors.

Further, the $112 average sales per square foot the product brought home centers ranked tenth on the list of categories tracked.

The Bottom Line also concluded that gross margin in the category averaged 31.9%, that turns averaged 3.4. The gross margin multiplied by the turns, or gross margin return on investment (GMROI), averaged 1.08, a figure that was the poorest of 14 categories except for major appliances and home entertainment products.

Frost & Sullivan forecasts a very healthy growth rate of some 85% for power tool shipments over the period from 1982 to 1990. This rate is not as high as the category's dramatic increase of some 109% from 1971 to 1980.

From 1980 to 1982, the category experienced a rapid decline in shipments, of some 19%, or from $787 million in constant 1971 dollars, down to $640 million.

The 1982 figure is only 40% of the total for hand tool sales. "Although they will grow faster, sales of power tools in 1990 will still be only 42% as large as hand tools," concluded the Frost & Sullivan study.

The percentage of product movement accounted for by imports in the power tool category is 8.5%, a figure that is substantially lower than the 14% in the category of hand tools.

However, power tool imports are increasing sharply, with much of the product coming from Japan. In 1971, only 2.9% of power tools in the American market were imports.

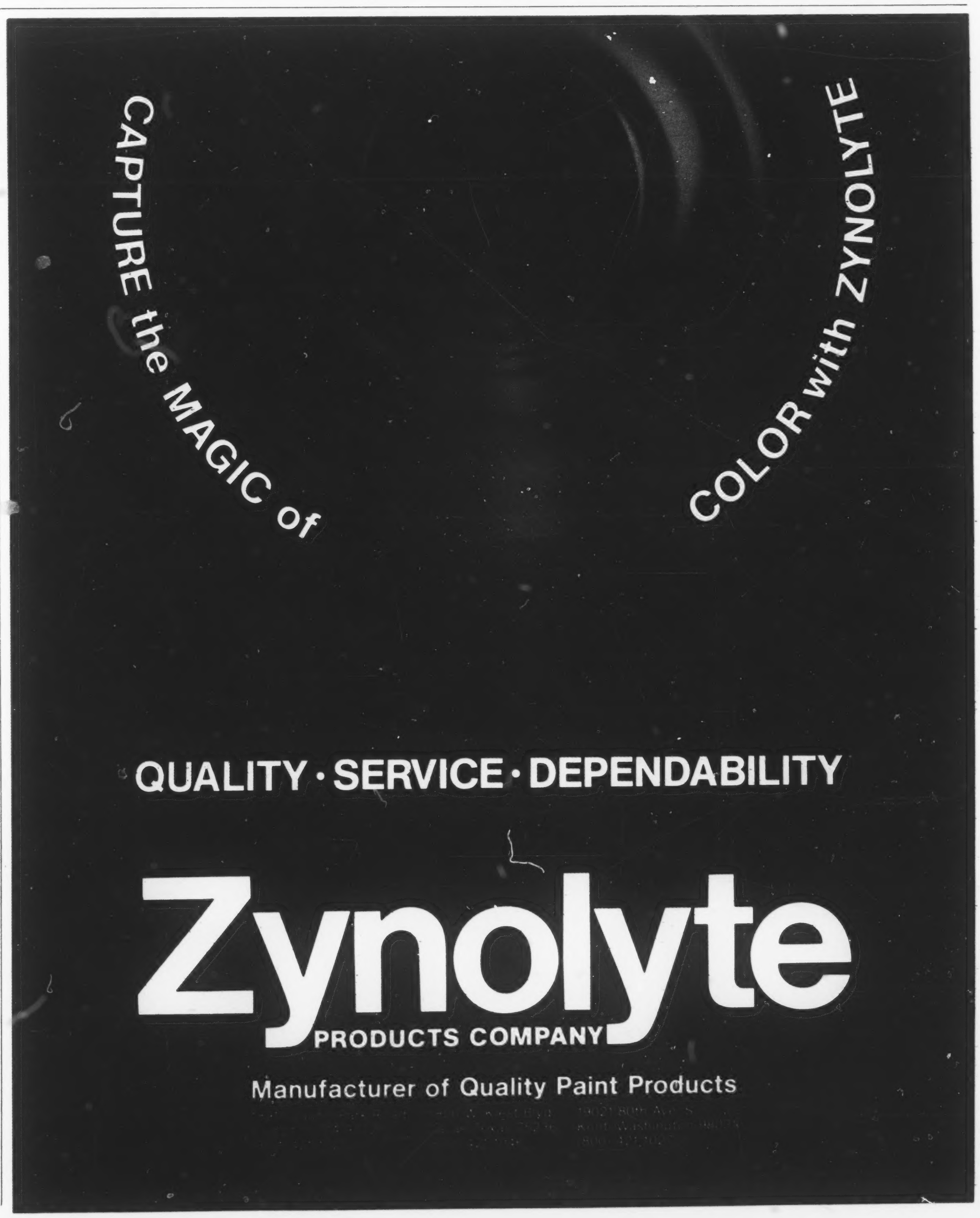
POWER TOOLS & ACCESSORIES

Sales/sq. ft.	% of net sales	% of sales floor
$112.05	2.4%	3.1%
Gross margin	**Sales to inventory ratio**	**GMROI**
31.9%	3.4x	1.08

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

In a recent study by the Home Center Institute, gross margins in the power tool category average 31.9% and turns averaged 3.4. The GMROI averaged 1.08, a figure that was one of the poorest in the categories tracked.

American vendors have countered the aggressive entry of imported power tools by promoting better quality and higher priced tradesmen lines.



Home centers shave price points on hand tools

NATIONAL REPORT—Home centers are expected to capture an increasing portion of the hand tool market over the next decade, according to a recent report from Frost & Sullivan, the New York research firm.

Hand tool sales in home centers should rise some 138% in constant dollars between 1982 and 1990, bringing home centers' share of total movement of the item to 18%, according to the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

Home center operators began shaving their hand tool price points this year, in response to the increasing competition of imports.

At the same time, American vendors are responding to the increasing dominance of imports by considering the launching of lines of "no frills" programs that lack promotional support but offer the consumer lower shelf prices (*NHCN*, April 23).

Although American consumers, in the past, relied primarily upon the higher quality domestic hand tools, in more recent years they have turned their attention toward imports.

Last year, a number of American manufacturers expressed their disapproval of the increasing penetration of imports onto home center shelves. Such imports, they said, were "riding the coattails" of domestic advertising and promotion programs (*NHCN*, April 25, 1983).

Home centers have made dramatic market share inroads since 1971, when the stores captured only 7.1% of all the product's movement. By 1982, that figure had grown to an estimated 13%.

Imported products, said some vendors, offered particularly strong competition in labor-intensive designs such as wrenches and pliers, where heat treating technology is not as essential.

Home centers have made dramatic market share inroads since 1971, when the stores had captured only 7.1% of all the product's movement. By 1982, that figure had grown to an estimated 13%.

Hardware stores, which had captured 7.6% of hand tool movement in 1971, were capturing 10% of the product movement by 1982, but are expected to capture only 8% by 1990.

Contractor-oriented lumber and building materials stores, on the other hand, are expected to maintain the same 3% of market share they have held since 1971, over the next 10 years.

All types of retail stores, counted together, are expected to modestly increase their share of the hand tool market from the 26% estimated for 1982 to 29% forecasted for 1990.

By 1990, home center sales of hand tools is expected to top $1 billion in constant 1967 dollars, a figure that compares with an estimated $439 million worth sold in 1982, and about $174 million sold in 1971.

Hand tools accounted for only 4.1% of total home center net sales in 1982, according to the recently released "Bottom Line Report" from the Home Center Institute. Home centers experienced, on the average, some $129 per square foot in sales of this product category.

On the other hand, the hand tool category brought an average gross margin of 35.6% to home centers, a figure that was the fifth highest in 14 categories studied by the Bottom Line. And the average turn of 4.2 achieved meant that home centers experienced an average gross margin return on investment (GMROI) of 1.50. Nine other categories in the report performed better.

"Although they are not a glamourous item, hand tools have been a relatively good growth area over the years," noted the Frost & Sullivan report, in speaking of product movement through a combination of retail and nonretail channels. Total hand tool shipments topped $1.6 billion in 1982, in constant 1967 dollars, a figure that compares with $1.1 billion in 1971.

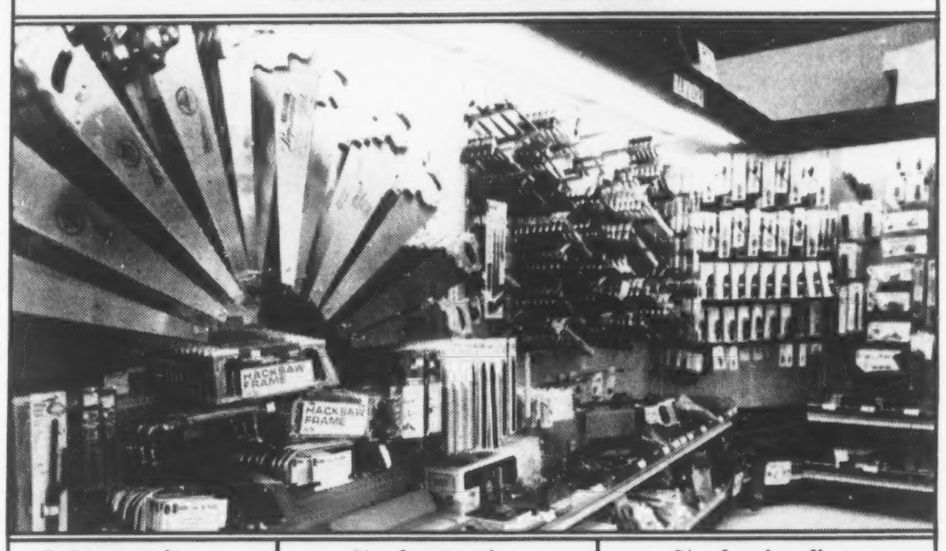
Total shipments are expected to come to $2.8 billion, in 1967 dollars, by 1990, representing "a dynamic 50% growth rate" since 1982.

The percentage of imports in the American hand tool market clocks in at 14%, a level much higher than that for hardware. Furthermore, these imports are usually intended for retail shelves.

"Even a casual examination of store shelves will show that the lowest priced tools are generally imported, typically from Asia," noted the Frost & Sullivan report.

Although some hand tools are imported from Europe, they account for only about a tenth of the import market and are generally of much higher quality. They usually sell for a price equal to or greater than American made hand tools.

HAND TOOLS



Sales/sq. ft.	% of net sales	% of sales floor
$129.03	4.1%	4.6%
Gross margin	**Sales to inventory ratio**	**GMROI**
35.6%	4.2x	1.50

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Hand tools accounted for only 4.1% of total home center net sales in 1982, according to the Bottom Line Report. However, the category brought an average gross margin of 35.6% to home centers, fifth highest in the survey.

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Building products gain amid gypsum shortage

NATIONAL REPORT—Nonwood building materials sales retailed through home improvement outlets are expected to increase 108% between 1982 and 1990, with home centers dominating, according to a recent report by Frost and Sullivan.

In addition, the overall market share of home improvement retailers, which include hardware stores and contractor outlets as well as home centers, should increase 34%, during the same period, according to the report titled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

The total retail value of nonwood building materials will be over $14 billion, in constant 1967 dollars, by 1990. It dropped to an estimated $9 billion during 1982's housing slump from $9.7 billion during 1981.

Whereas the home improvement industry had $1.6 billion in total sales in 1982 ($1.8 billion in 1980), it is expected to enjoy sales totaling $3.3 billion in 1990, in constant dollars.

However, although home centers, hardware stores and contractor outlets are all expected to have increasing dollar sales throughout this decade, there is a marked contrast between each retailers' market share.

Hardware stores' market share is expected to remain stable at 1982's 7.4%.

The market share of contractor outlets is estimated to increase slightly in middecade on the strength of housing and then decrease by 1990 to 7.4% —a level equal to 1982's low.

Home centers' market share is expected to increase to 15% in 1990, from 1982's 9.2%. Home center sales are expected to reach in 1990, $2 billion from 1982's $833 million, in constant dollars.

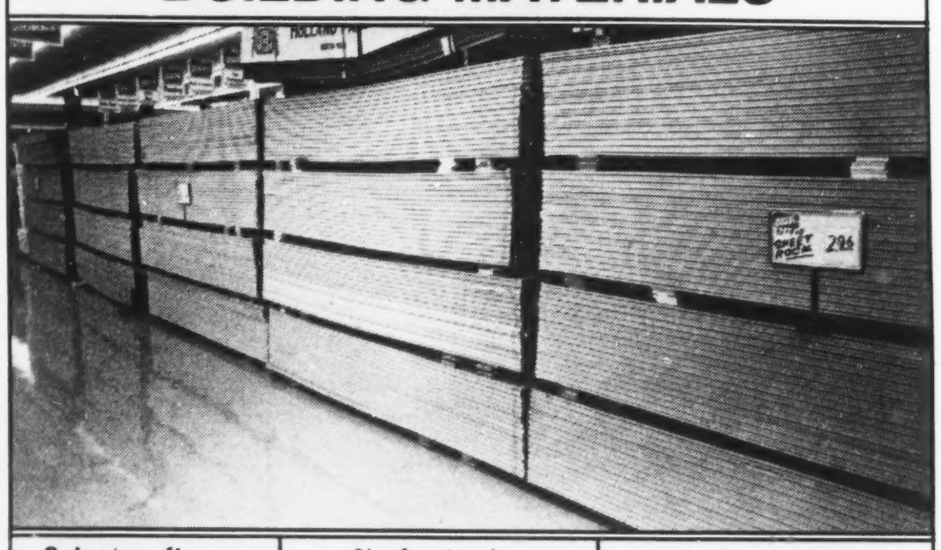
Home centers have strongly increasing shares in each of the nine major product categories that Frost & Sullivan places in the nonwood building materials business, unlike the other types of home improvement retail outlets.

- Roofing sales didn't nosedive as steeply as some building materials during the 1981-82 housing slump because of increased DIY interest, and more reroofing being carried out. Home centers' market share is expected to increase 100% by 1990, with sales of $523 million, compared to 1982's low of $198, in constant 1967 dollars.
- Home centers are expected to double their market share of adhesives and sealants to 4% by 1990, pulling in sales worth $131 million, compared to 1982's $49 million, in constant 1967 dollars.
- Mineral wood insulation sales are still expected to grow throughout the rest of the 1980's, but at a slower pace than the rapid escalation of the 1970's. Home centers are expected to be selling $318 million worth of insulation by 1990, compared to $130 million sold in 1982, in constant 1967 dollars.
- Gypsum shortages might plague the industry for sometime, but home centers are expected to increase their market share to 39% by 1990.
- Metal storm windows and screens are another building materials category with predicted healthy sales increases. Home centers are expected to pull in sales of $252 million by 1990, compared to 1982's sales of $106 million.

Home centers have strongly increasing shares in each of the nine major product categories in nonwood building materials, unlike other types of home improvement retail outlets.

- Ceiling tiles are expanding with the increasing DIY market, with home centers' 1982 20% market share increasing to 32% by 1990. At the same time, sales should triple from 1982's $75 million to $206 million by 1990, in 1967 constant dollars.
- Although the home improvement industry only accounts for a minute portion of laminated plastics sales—it accounted for only an estimated 1% of the market in 1982—home centers have virtually all that business. Their market share is expected to double by 1990, and home center sales should reach $52 million, from 1982's $16 million, in constant 1967 dollars.
- Similarly, home centers' market share of metal doors, sash and trim—excluding storm and screen doors—totaled only 2% in 1982. Home centers' market share should increase to 5% by 1990, with a constant 1% of the market share being kept by contractor lumber and material stores. Home center sales are expected to more than double from $58 million in 1982, to $146 million in 1990, in constant 1967 dollars.
- Fencing and fence gate dollar sales through home improvement outlets are expected to double by 1990 to $228 million from $111 million in 1982, in constant 1967 dollars. Again, home centers are expected to take the largest share, capturing 36% of the market by 1990, from a 28% share in 1982. The market share of the industry as a whole is only expected to rise 6%, from 52% in 1982 to 58% in 1990.

BUILDING MATERIALS



Sales/sq. ft.	% of net sales	% of sales floor
$258.53	21.6%	12.1%
Gross margin	**Sales to inventory ratio**	**GMROI**
26.6%	6.8x	1.81

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn. Home Center Institute

Building materials sales per square foot averaged $258.53, in a recently published study by the Home Center Institute. The total retail value of nonwood building materials dropped in 1982 to an estimated $9 billion from $9.7 billion in 1981.

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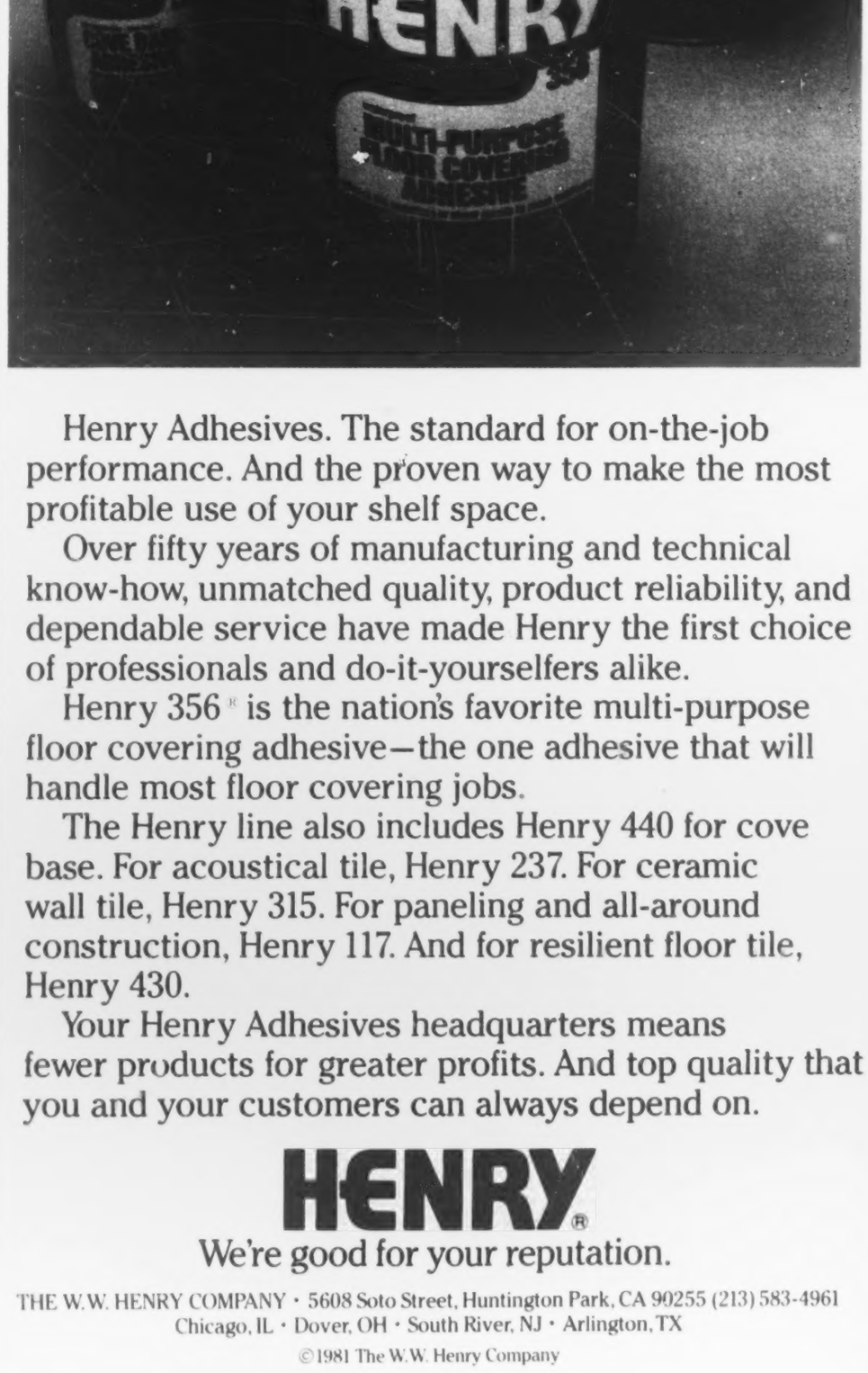

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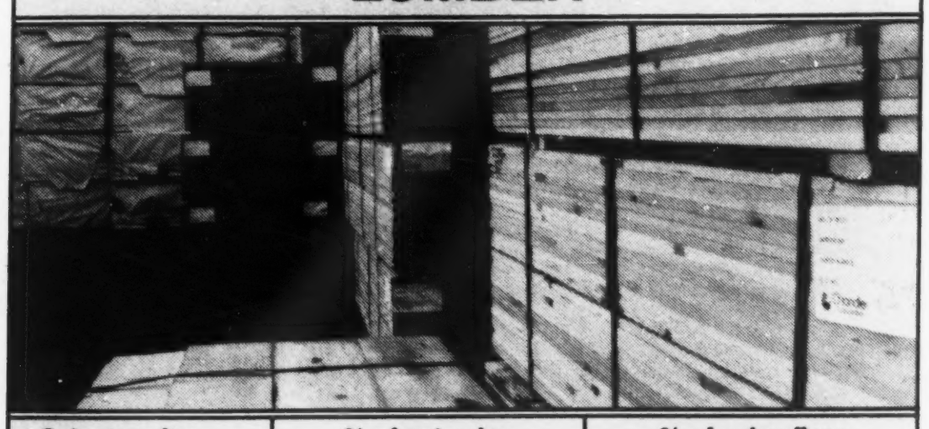

Sales/sq. ft.	% of net sales	% of sales floor
$205.79	19.9%	14.0%
Gross margin	**Sales to inventory ratio**	**GMROI**
24.1%	6.8x	1.64

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Wood deck fever, indoor displays swell home center lumber share

NATIONAL REPORT—Home centers are expected to account for 30% of the lumber and wood products market by 1990—nearly double the home center share in 1980.

However, total lumber and wood products shipments are predicted to remain relatively stable, according to a new Frost & Sullivan report, making the expanding importance of home centers even more noticeable.

By devoting 14% of their sales floors to lumber, home centers are snaring a greater share of the total lumber and wood products market.

Their ascension in this market is partly due to in-store lumber merchandising becoming more ppular. New in-store storage/display facilities—such as cantilever warehouse racking—not only help alleviate in-store handling and display problems, but make this product more accessible to DIYers.

Also, increasing DIYer interest in adding decks is feeding the treated lumber market. Demand for treated lumber is expected to double in the next 10 years to 6 billion board feet from the present 3 billion board feet.

Last year alone saw a 32% increase in demand for treated lumber over 1982, and the American Wood Preservers Bureau predicts a 20% to 25% increase during 1984.

However, the AWPB sees the DIY deck market for CCA treated lumber plateauing soon, and future big increases are expected in lumber used for other purposes and in lumber treated with different chemicals. For instance, fire retardant lumber, with sales of 200 million board feet in 1983, is expected to reach 2 billion board feet in 10 years.

One of the advantages of treated lumber for the home center retailer is its freedom from the volatile housing start cycle. A recent Data Resources study found that from 1978 to 1982, lumber consumption dropped 29% because of the housing recession, but treated lumber increased 40% to 2.56 billion board feet from 1.84 billion board feet. Also, its share of total lumber consumption almost doubled to 8.7% from 4.5%, according to Data Resources.

By the time demand for treated lumber is expected to plateau—in the early 1990's—it is expected to account for some 17% of the total lumber market.

However, though half the lumber produced in the South last year ended up as treated, treated lumber is still only a fraction of the overall lumber and wood products category.

In the first half of last year, the millwork industry's production increased over 50% above the equivalent 1982 level, which, after adjustment for inflation, was a 30% climb. During this year, the overall constant dollar value of millwork shipments are expected to grow 8%, with an expected 5% annual growth rate over the next five years, according to the Commerce Department's 1984 Industrial Outlook.

Last year, housing starts rebounded to 1.7 million, compared to 1982's 1.1 million starts. American lumber consumption jumped 25% to 35.7 billion board feet in 1983 from 28.5 billion board feet in 1982.

Housing lumber consumption took the biggest bite out of that increase, with 15.1 billion board feet used last year, compared to 9.5 billion board feet in 1982—up 60%.

Imported lumber rose 31.3% to almost 12 billion board feet last year, with Canadian lumber imports accounting for 33.5% of domestic consumption.

With the Canadians taking such a large slice of the lumber market pie, some of the United States lumber industry last year tried unsuccessfully to have tariffs imposed on imported lumber. Many Northwestern lumber companies last year won their petitions for contract extensions, since many companies faced financial ruin because bidding had driven up the cost of certain Federal land.

Also, in the wake of last year's unexpectedly large surge in housing starts, the industry should be able to catch its breath this year, as starts are expected to be just as good, with 1.8 million predicted.

Now that we are in the growth phase of the housing start cycle, the Government predicts a 5% growth rate (inflation adjusted) in total lumber shipments this year.

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FOR THE RECORD

Excerpts from...Illegal Knockoffs

(NHCN, MARCH 12, 1984)

• This month, the International Trade Commission could issue an exclusion order blocking future sale of imported smooth-rod caulking guns found to infringe upon a patent held by Newborn Bros. & Co., a Columbia, Md., supplier. Newborn's president, Peter Chang, who referred to the I.T.C.'s earlier action in December recognizing the patent infringement as "a landmark decision on behalf of American manufacturers," noted that if the I.T.C. issues a cease and desist order as well, any offender found in violation could be fined $10,000 a day. *(Reproduced with permission from NHCN.)*

SPECIAL NEWS:

GENERAL EXCLUSION ORDER WAS ISSUED ON FEB. 23. CUSTOMS, AT MAJOR PORTS OF ENTRY HAVE BEEN ALERTED BY WASH. HEADQUARTERS. "WITH THE CUSTOMS AGENTS AND OUR OWN FIELD REPS. INVESTIGATING AT NEW JERSEY, N.Y., WESTCOAST, FLORIDA & OTHER PORTS, VIOLATORS WILL BE CAUGHT. WE MUST PROTECT OUR CUSTOMERS INTEREST." SAID NEWBORN'S NAT. SALES MGR., BOB RABER.

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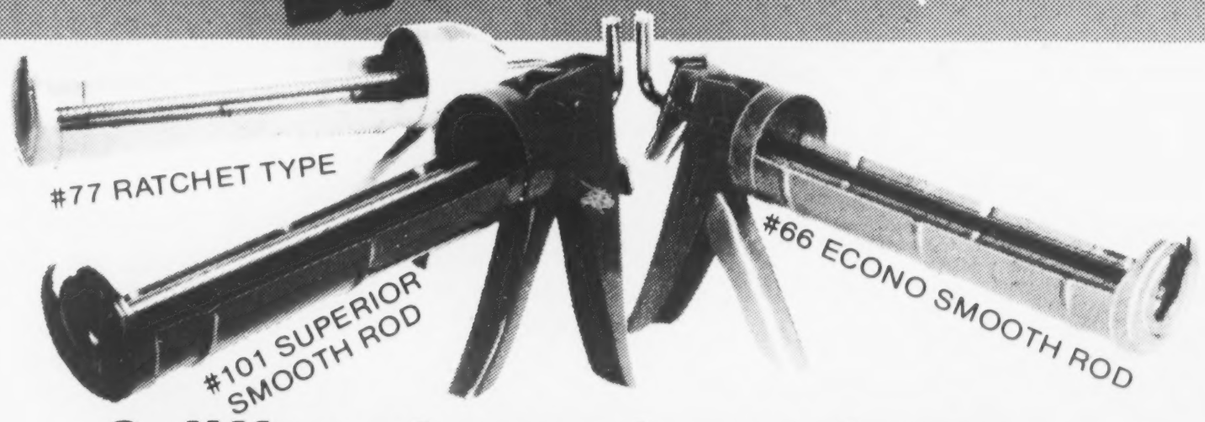

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THE *NHCN* ANNUAL REPORT

Home centers see increasing role supplying lawn, garden products

NATIONAL REPORT—Home center lawn and garden sales should reach $679 million in 1990, compared with $280 million in 1982, using constant 1967 dollars.

The estimates are contained in a new Frost & Sullivan study called *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

These predictions reflect home centers' increasing role in supplying lawn and garden product, coupled with an increasing consumer demand.

In addition, the entire lawn and garden industry is expected to increase its retail sales by 70%, from $7 billion in 1982 to almost $12 billion in 1990, in constant 1967 dollars.

The home improvement industry's market share in lawn and garden retail sales is expected to increase from 7% in 1982 to 9% by 1990, with home centers accounting for that 2% increase.

This increasing demand is seen in the unusual 1983 sales picture for "green inventory." Affected by poor spring weather—it rained on 13 consecutive weekends last year—consumer demand didn't blossom until late June or early July, when the selling season is normally over. But between June and September, many retailers reported record sales in this traditionally spring weekend-selling category.

However, Frost & Sullivan's research did not cover this product category, nor did it include nonpowered tools. Its research spanned the fertilizer, agricultural chemical and power tool markets.

Whereas home centers accounted for 10% of 1982's lawn and garden power tool market, it only accounted for 2% of total fertilizer and 1% of total agricultural chemical retail sales in 1982. Most sales in these two categories go to farm supply outlets.

Home centers sold about $35 million worth of fertilizers in 1982, and are expected to sell $79 million worth by 1990, in constant 1967 dollars. Similarly, agricultural chemical sales in home centers totaled $39 million in 1982, and should be $92 million by 1990.

The overall home improvement industry's share of fertilizer sales will not increase above the current 5%—home centers are expected to win part of hardware stores' market share. Similarly, home centers will take the 1% increase that is expected in agricultural chemical retail sales.

By 1985, home centers are expected to take 1% of hardware stores' market share in lawn and garden power equipment sales.

Currently accounting for 10% of all 1982 sales, home centers are expected to nab 11% by 1985, and 12% of the total power equipment market by 1990. On the other hand, hardware stores sales are expected to drop from 7% to 6% by 1985, and remain at that level throughout the 1980's.

LAWN & GARDEN

Sales/sq. ft.	% of net sales	% of sales floor
$79.91	10.1%	18.3%
Gross margin	**Sales to inventory ratio**	**GMROI**
34.4%	4.8x	1.60

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Sales per square foot in the lawn and garden category averaged $79.91 in a recent Home Center Institute study. Total sales in the category hit $280 million in 1982 and should reach $679 million by 1990 using constant 1967 dollars.

Last year's lawn mower sales reflect a growing tendency for consumers to polarize to the high- and low-ticket ends of the power equipment market.

However, power equipment sales in terms of dollars will increase for both types of stores as the overall market is expanding. Total retail sales in lawn and garden power equipment are expected to double to $4.2 billion by 1990, from 1982's $2 billion, in constant 1967 dollars.

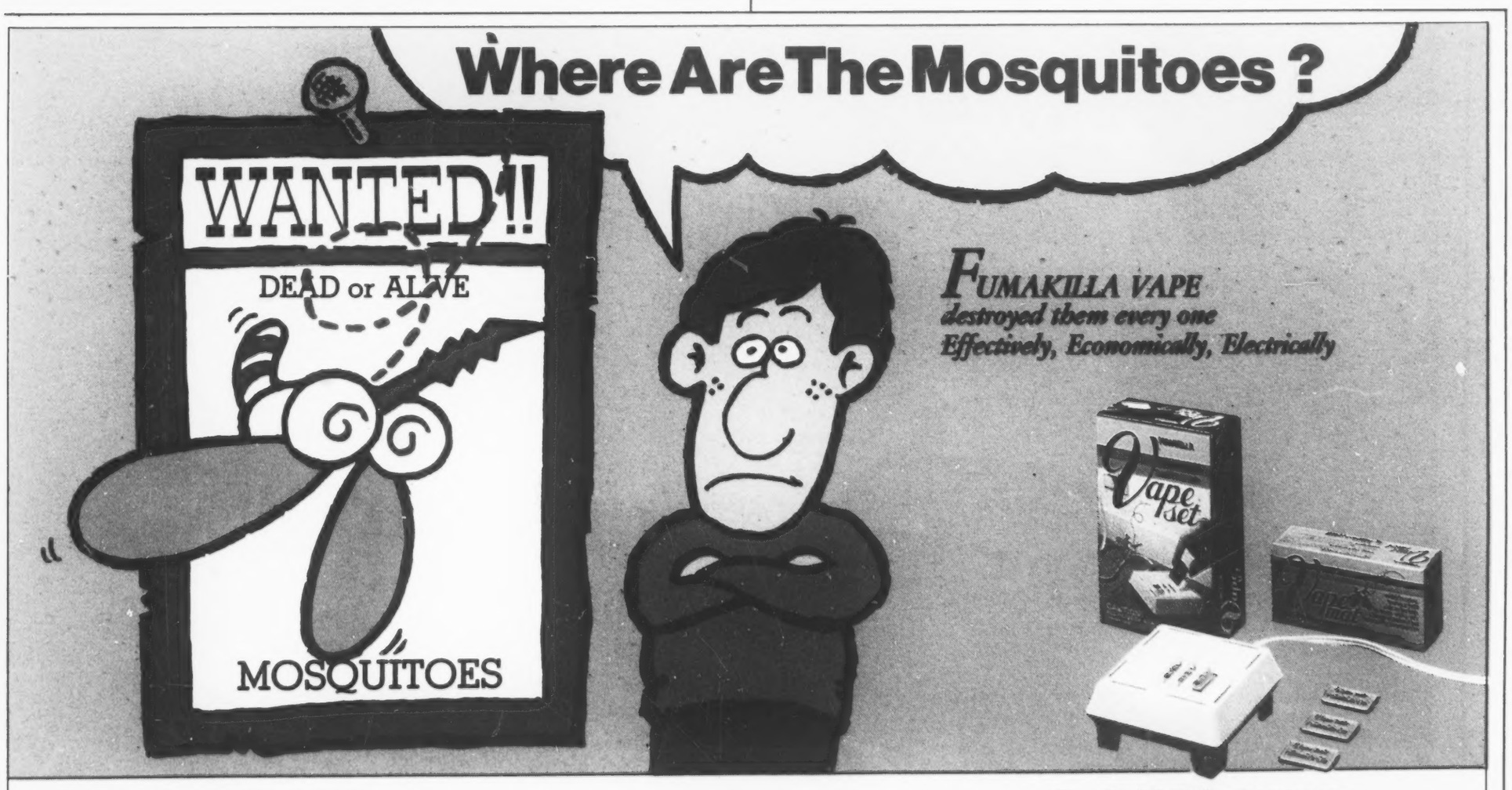
Home center sales should increase 147% to $508 million in 1990, from 1982's $206 million, and hardware stores' sales should increase to $238 million from $153 million in 1982.

Despite this overall growth, specific product lines within the category are expected to show sales fluctuations depending on season.

For instance, since lawn mowers sold so well throughout 1982 and 1983—despite last year's price hikes caused by the addition of Federally mandated safety features—retailers expect slackening demand this year.

Last year's lawn mower sales also reflect a growing tendency for consumers to polarize to the high- and low-ticket ends of the power equipment market; a trend that is expected to continue.

Despite increasing consumer demand for lawn and garden product as a whole, probably the only thing that can really be guaranteed is that the unpredictable weather will cause surprise demands on almost anything—be it snowblowers as over this past winter, or hose pipes, sprinklers and bug killers as demanded last summer.



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Top 18 co-ops break $5 billion in sales in '83

NATIONAL REPORT—While their dealer ranks swelled only marginally, the leading hardware, lumber and building materials wholesale cooperatives and buying groups wrote an estimated 9.1% more business with affiliated retailers in 1983 than the previous year.

The top 18 co-ops did $5.066 billion in sales last year, compared with $4.609 billion in 1982, which is remarkable considering that their aggregate dealer base grew by less a 1% to 25,269.

As has been the case for several years, the top five co-ops—Cotter & Co., Ace Hardware, Hardware Wholesalers Inc., Lumbermen's Merchandising and American Hardware Supply—dominated this industry sector, and accounted for about three-quarters of the sales and dealers.

These five companies did $3.7 billion through 18,025 dealer-members in 1983, compared with $3.4 billion from 17,925 dealers during the previous 12 months. The sales represented a 10.2% increase, even as the dealer number was a 1% gain.

But it was the smaller commodities oriented groups, and not the hardware goliaths, that showed the greatest jumps in sales and dealers last year, reflective of the substantial growth in home building nationwide.

ENAP, the Newburgh, N.Y., company, saw its revenues rise 50% to $84 million in 1983, the largest single percentage increase among the co-ops chartered; ELMCO, in Wayne, Pa., had sales of $457 million, a 40% gain; Builder Marts of America, the employee-owned dealer services group in Greenville, S.C., enjoyed a 43% sales growth to $410.3 million, despite a reduction in its dealer store base to 1,309 from 1,452, and Progressive Affiliated Lumbermen in Grand Rapid, Mich., found its dealer-members boosting their sales to $65.4 million, a 31% gain.

These co-ops, along with Central Builders Supply in Sturgis, Mich., became a more significant factor in the distribution market last year, so much so that ELMCO passed American Hardware Supply in total volume to rank fourth overall in sales.

The hardware organizations, though, were not blind to the realities of these other companies' market penetration, and many were looking to increase their dealers' sales of lumber and building materials as well. While Ace Hardware's commodities sales, as a percentage of its total, fell slightly, Cotter, HWI, American Hardware and even secondary-source co-ops like Handy Hardware Wholesalers in Houston all had percentage increases in their lumber and building materials volumes. In fact, Handy Hardware, whose dealer base grew 20% to 440 members in 1983, quadrupled its commodities business to where the sale of these products now represents 20% of its $38.3 million in total revenue.

Among the hardware giants, American Hardware's lumber and building materials sales rose to nearly 24% of its total, up from about 20% in 1982. And HWI, based in Fort Wayne, Ind., again increased its distribution of commodities, which accounted for 29% of its overall sales through dealers.

HWI's sales increase of 16.4% to $558 million was the highest percentage volume gain among the major hardware co-ops, due, in part, to the expansion of its "Do-It" remodeling and remerchandising program. In 1983, 28 of its members converted to that program, and many of its concepts have been incorporated into other dealers' stores. By the end of 1984, HWI plans to have converted more than 100 of its dealers' stores to the Do-It program.

Wickes Cos. sold off all its company-owned stores affiliated with the Gamble's buying group, as well as three distribution centers, while changing the product mix offered by the distribution center to cater more to the home center-type retailer.

A $2 million computer system is scheduled to go on-line this May, and Gambles is looking to expand its distribution coverage around the country to include all kinds of home improvement dealers, not just those stores bearing the Gamble's name.

"We are looking to become the No. 1 distributor of home improvement products," said Gambles' president Wayne Waldera. Wickes officials hope the company's sales will rise to $200 million by 1988.

Cotter & Co., based in Chicago, made news last year when it opened its 60,000-sq.-ft. "Dealer's Supply" warehouse in Minneapolis, a facility that began selling merchandise to local retailers not affiliated with the 7,000-member co-op.

At this distribution facility, Cotter also began experimenting with using Uniform Pricing Code stickers on 17,000 stock keeping units, and the company expected to have 75% of the $1.2 million worth of inventory carried at the facility stamped with UPC identification by the first quarter of 1984.

Cotter's sales last year increased about 5% to $1.459 billion, and the co-op leader increased its corporate advertising and inventory levels by around 10% to $59 million and $125 million, respectively.

On the whole, however, most of the companies listed held the line on inventory and advertising expenditures, with some notable exceptions. For instance, the 3,800-member American Hardware Supply, Butler, Pa., was stocking an average of $53.2 million in inventory at cost in its five distribution centers, a 22% increase over 1982. By beefing up its stock, American's sales to inventory ratio grew to 9.88

(Continued on page 92)

The Top Hardware, Lumber & Building Materials Buying Groups

Rank '83	Rank '82	COMPANIES	SALES Total sales (mil. $) '83	'82	% change	STORES Lumber & building mat'ls as a % of sales '83	'82	Dealer stores '83	'82	No. of home centers '83	'82	HC sales as % of total '83	'82	INVENTORY ANALYSIS No. of warehouses (tot. sq. ft.) 1983	Min./max. inventory (mil. $) 1983	Stock keeping units '83	'82	Sales to inventory ratio '83	'82	% of sales from drop shipment '83	'82	CHARGES % charge to dealers out of: •warehouse •pool relay •drop ship '83	'82	EMPLOYEES No. of employees '83
1	1	Cotter & Co., Chicago	1,459	1,394	+ 4.6	7-7.5	6-6.5	7,000	7,000	1,500	1,500	30	30	11 (4.5 mil.)	125	25,000	25,000	12.6	12.4	25	27	5-15 6 2	5-15 6 2	3,600
2	2	Ace Hardware, Oak Brook, Ill.	801	739	+ 8.3	4.4	5.0	4,400	4,200	1,450	1,400	38	38	10 (3.4 mil.)	90-110	38,000	38,000	7.3	7.3	33*	31*	10 6 0-2	10 6 0-2	1,800
3	3	Hardware Wholesalers Inc. Fort Wayne, Ind.	558	480	+16.3	29.0	25.0	2,500	2,500	1,500	1,500	60	60	4 (1.7 mil.)	44-48	34,000	33,000	11.8	11.2	52	49	no adder up, depending on cost of handling		614
4	5	Lumbermen's Merchandising, Wayne, Pa. (ELMCO)	457	326	+40.2	80.0	85.0	525	525	45	45	45	45	none	—	—	—	—	—	—	—	—	—	105
5	4	American Hardware Supply, Butler, Pa.	448	440	+ 2.0	23.9	19.6	3,800	3,700	1,400	1,300	40	40	5 (1.7 mil.)	50-57	28,000	27,800	9.9	7.7	29	30	5-15 10 0.5	5-15 10 0.3	879
6	6	Builder Marts of America, Greenville, S.C.[1]	410	286	+43.3	78.0	80.0	1,309	1,452	NA	NA	10	10	none	—	—	—	—	—	—	—	—	—	189
7	7	Coast to Coast, Minnetonka, Minn.[2]	300	291	+ 3.0	NA	NA	1,132	1,150	NA	NA	NA	NA	3 (1 mil.)	NA	28,000	28,000	NA	NA	10	10	NA	NA	900
8	8	Central Builders Supply, Sturgis, Mich.	110	100	+10.0	100.0	100.0	450	450	75	50	60	60	none	—	—	—	—	—	—	—	—	—	22
9	9	Our Own Hardware, Burnsville, Minn.	101	98	+ 3.0	9.7	8.0	1,050	1,050	400	400	35-40	35-40	2 (650,000)	17-22	34,000	34,000	4.3	4.3	27	27	14 6 2	14 6 2	320
10	12	ENAP, Newburgh, NY	84	56	+50.0	100.0	100.0	111	105	62	54	80	80	none	—	—	—	—	—	—	—	—	—	22
11	10	United Hardware Distributors, Minneapolis	82	81	+ 1.0	NA	NA	552	561	30	32	5	5	1 (420,000)	8.9-12.5	33,000	33,000	6.6	6.3	12	12	0-11 NA 2	0-11 NA 2	300
12	13	Progressive Affiliated Lumbermen, Grand Rapids, Mich. (PAL)	65	50	+30.0	100.0	100.0	176	175	100	100	80	80	none	—	—	—	—	—	—	—	—	—	10
13	11	Reserve Supply, Minneapolis	65	60	+ 8.0	70.0	82.0	752	752	110	110	25	25	4 (230,000)	6-10	13,000	6,000	8.6	8.6	50	50	NA	NA	220
14	NR	Gamble's, Minneapolis[3]	60	NA	—	3.0	none	700	800	250	85	65	20	2 (400,000)	10	25,000	25,000	6.0	NA	14	14	NA	NA	350
15	14	Handy Hardware Wholesalers, Houston	38	34	+11.8	20.0	5.0	440	375	110	85	25	25	1 (100,000)	5-6	20,000	20,000	7.5	7.3	25	30	9 NA 1	9 NA 1	105
16	15	KVD Inc. Winfield, W. Va.	11	10	+10.0	2.5	2.5	140	140	31	31	38	38	1 (100,000)	1.5-3	16,000	15,000	8.0	8.3	10	10	5-20 5 2	5-15 5 2	30
17	16	Bay Cities Wholesale Hardware, Manteca, Calif.	9	8	+12.5	none	none	180	225	4	4	1-2	1-2	1 (90,000)	0.9-1.4	15,000	15,000	6.5	6.5	25	25	10-20 6 1.5-2	10-20 6 1.5-2	28
18	17	Connecticut Hardware Supply, Cromwell, Conn.	7	6	+16.7	none	none	52	52	4	3	3	2	1 (35,000)	0.7-1.1	29,000	29,000	5.6	5.3	25	23	NA	NA	14

[1]Builder Marts of America is employee-owned and is a dealer-services organization. Above numbers for its dealer division.
[2]Coast-to-Coast is owned by Household International, Chicago, and its dealers are franchisees.
[3]Gambles is owned by Wickes Cos., Santa Monica, Calif.; it is now selling merchandise to nonaffiliated stores.
*does not include lumber drop shipments; NA—not available; NR—not ranked

Source: Company data; *NHCN* research, chart

Top 18 co-ops break $5 bil. in sales in '83

(Continued from page 91)

from 7.74 in 1982.

Even the 18th-ranked co-op, Connecticut Hardware Supply in Cromwell, added about $100,000 worth of stock to its distribution center, but it appeared that most of the co-ops with storage facilities remained cautious about their buying plans.

While it didn't dramatically increase its inventory dollar base, Reserve Supply in Minneapolis diversified its product mix to a large degree by adding a broader assortment of plumbing and electricals, hardware, and lawn and garden items, increasing its stock keeping unit offering more than 100% to 13,000. As a result of this product adjustment, lumber and building materials sales, as a percentage of Reserve's total, dropped off to 70% last year, from 82% in 1982.

On the other side of the coin, Reserve reduced its corporate ad budget significantly from $120,000 in 1982 to around $38,000 last year. Brian MacKenzie, Reserve's merchandising vp, told *NHCN* that because the co-op dropped its institutional advertising last year in favor of "product ads," it was relying more on funding from vendors for any promotions.

Other random events occurring among the co-ops in 1983 included KVD Inc., the Winfield, W. Va., company, increasing its membership by 50% to 30 dealers; 25 of CBS's dealers became more home center-oriented, bringing that co-op's total home center dealer membership to 75 from 50 a year ago, and Bay Cities Wholesale Hardware in Manteca, Calif., had a sales gain of 9% to $8.5 million, despite having lost 45 of its members from 1982 to bankruptcy or competitive suppliers.

Not all the co-ops that were in business a year ago came out of 1983 unscathed: General Mercantile & Hardware in St. Louis, which had been in existence for more than 45 years, filed for bankruptcy last May, after going through one of the most bizarre sales declines in recent memory (*see story*).

The seven national corporations that buy for a total of 197 wholesaler companies saw their combined sales rise about 7% to $3.68 billion in 1983.

This group was again led by Liberty Distributors in Des Plaines, Ill., whose wholesaler affiliates selling to about 3,500 "Trustworthy Stores" dealers did about $850 million last year. The largest percentage sales gain, though, was at Allied Hardware Services in Chicago, whose 30 wholesaler-members ordered $400 million in merchandise in 1983, 23% more than the previous year.

Wholesalers affiliated with Sentry Hardware in Cleveland appeared to be signing up new dealers in record numbers; so much so that officials at Sentry were unable to provide up-to-date figures on just how many dealers these 13 wholesale-members served.

On the other hand, Pro Hardware's overall sales declined slightly in 1983, primarily because of the loss of two of its wholesale-members: William H. Cole & Sons in Baltimore and Moore-Handley in Alabama, which was sold off last year by its parent, Union Camp.

It should also be pointed out that Val-Test in Chicago has recently seen its membership dip to 27 from 35 wholesalers at the end of 1983.

Wholesalers buying groups

Rank	Company	Sales (mil. $) '83	Sales (mil. $) '82	% change	No. of wholesalers '83	No. of wholesalers '82	Affil. dealers/ total customers 1983 (1982)	% of home centers 1983	Wholesaler warehouses '83	Wholesaler warehouses '82	Aggregate inv. (mil. $) 1983	sku's '83	No. of employees '83	No. of employees '82	Advertising corporate/ wholesalers 1983
1	Liberty Distributors, Des Plaines, Ill.	850	825	+ 3.0	28	29	3,500/32,000 (3,200/30,000)	35	57	57	130	35,000	45	45	$2.8 mil./NA
2	Associated Building Materials, Green Valley, Ariz.	800	710	+12.7	49	50	none/25,000 (none/25,000)	NA	99	100	NA	NA	3	3	NA/$1 mil.
3	Pro Hardware, Stamford, Conn.	605	610	− 1.0	18	20	4,612/18,000 (4,800/18,000)	40	26	29	110	24,000	25	25	$1.75 mil./ $1.3 mil.
4	Sentry Hardware, Cleveland	500	475	+ 5.3	13	13	NA/5,000	NA	19	19	NA	NA	9	10	NA
5	Allied Hardware Services, Chicago	400	325	+23.1	30	29	6,000/20,800 (6,000/20,800)	NA	31	31	50-55	24,500	6	6	NA/$500,000
6	Val-Test Distributors, Chicago	400	365	+ 9.6	35	31	800/5,000 (800/5,000)	5	47	43	60	13,500	8	8	$60,000/$600,000
7	Associated Hardware Buyers, Gainesville, Ga.	125	120	+ 4.0	24	26	NA	NA	24	26	NA	NA	4	4	NA

Source: *NHCN* research

The seven major wholesaler buying groups wrote an average of 7.3% more business with affiliated distributors last year, and did an aggregate of $3.7 billion in sales, led by Liberty Distributors, whose 28 wholesalers sell to 3,500 stores.

Employees on the move?

Send us your personnel promotions and changes so that *NHCN* can keep the industry up to date about your chain. Include name of individual, company, new position, old position and years with the firm. Also, if possible, send black-and-white photo to People, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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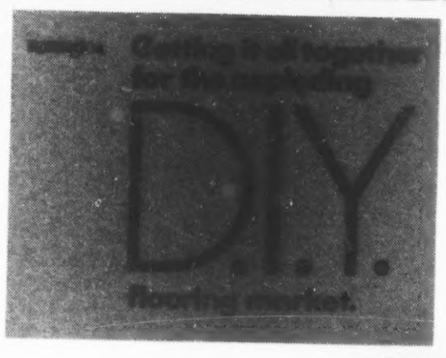

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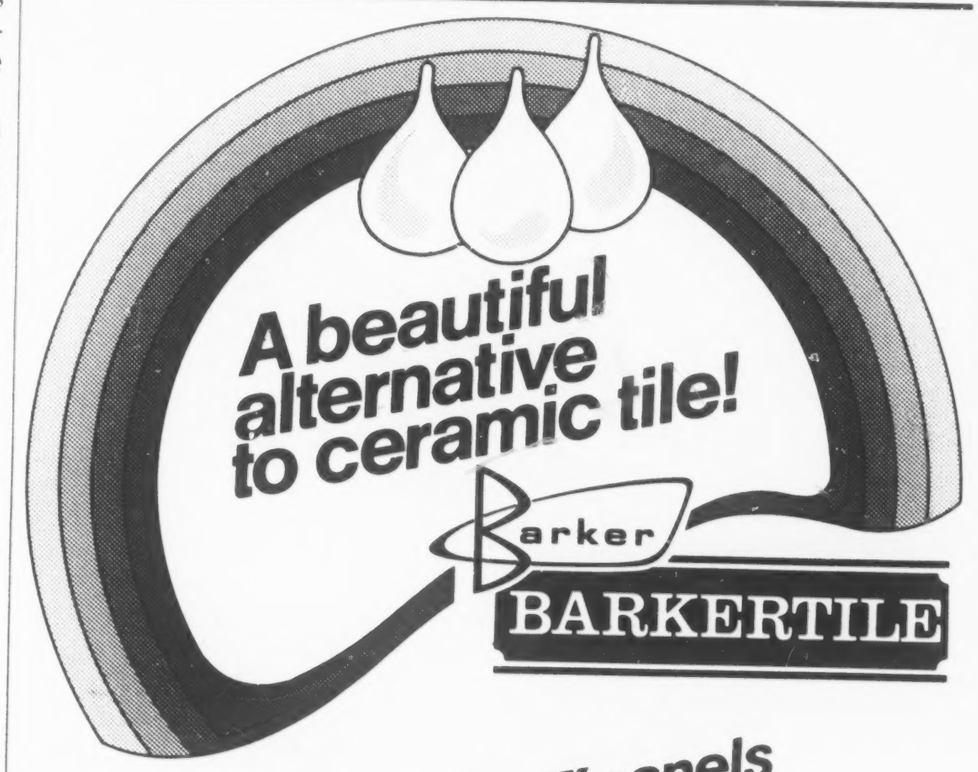

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Growing pains prove fatal for St. Louis co-op

(Continued from page 3)

tile as their company only," said Michael DeHaven, a partner with Thompson & Mitchell, a local law firm that represented the co-op. Whites added that the dealers were not above acting with spleen in their relationship with General Mercantile. "They would bite off their nose to spite their face by keeping out other dealers who might have been big customers of the co-op, just because they were competitors."

In 1974, the company's balance sheet was in rocky shape, with one source claiming: "we had a $60,000 line of credit and $600,000 worth of bills." Consequently, under the presidency of Carl Hanneke Jr., General Mercantile was regeared for expansion to improve profitability, which indirectly dissipated the strength of the individual retailers.

But when it was decided that the co-op be moved into the new distribution center, the fulminations of the powerful dealers arose again. "It became a matter of everybody in the company being a self-proclaimed expert on how it should be run," said Barber, who currently is vp-operations for NuWay Distributors, St. Louis.

What followed over the next 12 months has been described by various sources as "a soap opera," a "joke," "like being in a class of third graders" and "tragic."

The recession in 1982 was bearing down hard on all retailers, which caused many of those affiliated with General Mercantile to cut back their buying. In addition, some retailers voiced concerns over how the co-op's money was being spent. (Barber claims the co-op was losing "$30,000 to $50,000 per month from July through October 1982.")

There was also "a personality conflict between Carl [Hanneke] and some of the dealers, who resented the 'palatial' surroundings" of the co-op's offices which were "more plush than their own," according to Whites.

"I can recall one dealer," added Barber, "who came up to Carl aftr the DC was opened and said 'now that you're in your ivory tower, you don't need our business anymore.'"

Hanneke declined to be interviewed on the record for this story, as did a number of former directors including long-time co-op member Ken Otto, president of Handyman Hardware in Florissant, Mo., and Sam Muributo, president of Hanneke hardware who served as chairman of the co-op's board. "I lost enough money on General Mercantile, let's just drop it," Muributo said.

One dealer who agreed to speak more freely was Phil Simon, president of Sappington Hardware in St. Louis who was the board's secretary. He, too, was confused about why dealers abandoned a company in which they all had money invested, although his reasoning echoed the rationale others provided.

"Anytime you have a dealer-owned co-op, especially one as small as ours was, and someone doesn't like the way it's being run, he is always going to threaten to quit," said Simon. "I belong to the Elks Club, and it's the same damn thing."

The volatility of the situation became bad enough for Hanneke to tender his resignation in October 1982, after nine years as president, at the behest of the board, whose members' enthusiasm about the new warehouse and the direction the company had taken was reportedly waning. Barber, who was General Mercantile's sales manager, took Hanneke's place.

Over the next several months, he and the board, whose number was trimmed to nine dealers, worked to get General Mercantile's house in order, financially. The co-op was able to terminate its lease agreement, and in March 1983 it again moved, this time into more austere surroundings that cost about $3,500 per month in rent.

Barber also converted the company into a cash and carry operation, charging dealers a flat 10% above cost. But again, the co-op ran into dealer opposition to the new format, which was very close to profitability before General Mercantile's filing. "All we needed was to do about $1,000 more a week to break even, and we couldn't even get other dealers to buy that much," lamented Simon. "It was frustrating."

On top of the dealer resistance, General Mercantile also ran up against the Teamsters, whose local union filed a formal grievance against the co-op for laying off several warehousemen when the cash and carry change was enacted.

Barber justified the layoffs by claiming that "I was trying to operate the company on 9% gross, and we were making about $60,000 in gross profit a month at a time when our payroll was $55,000."

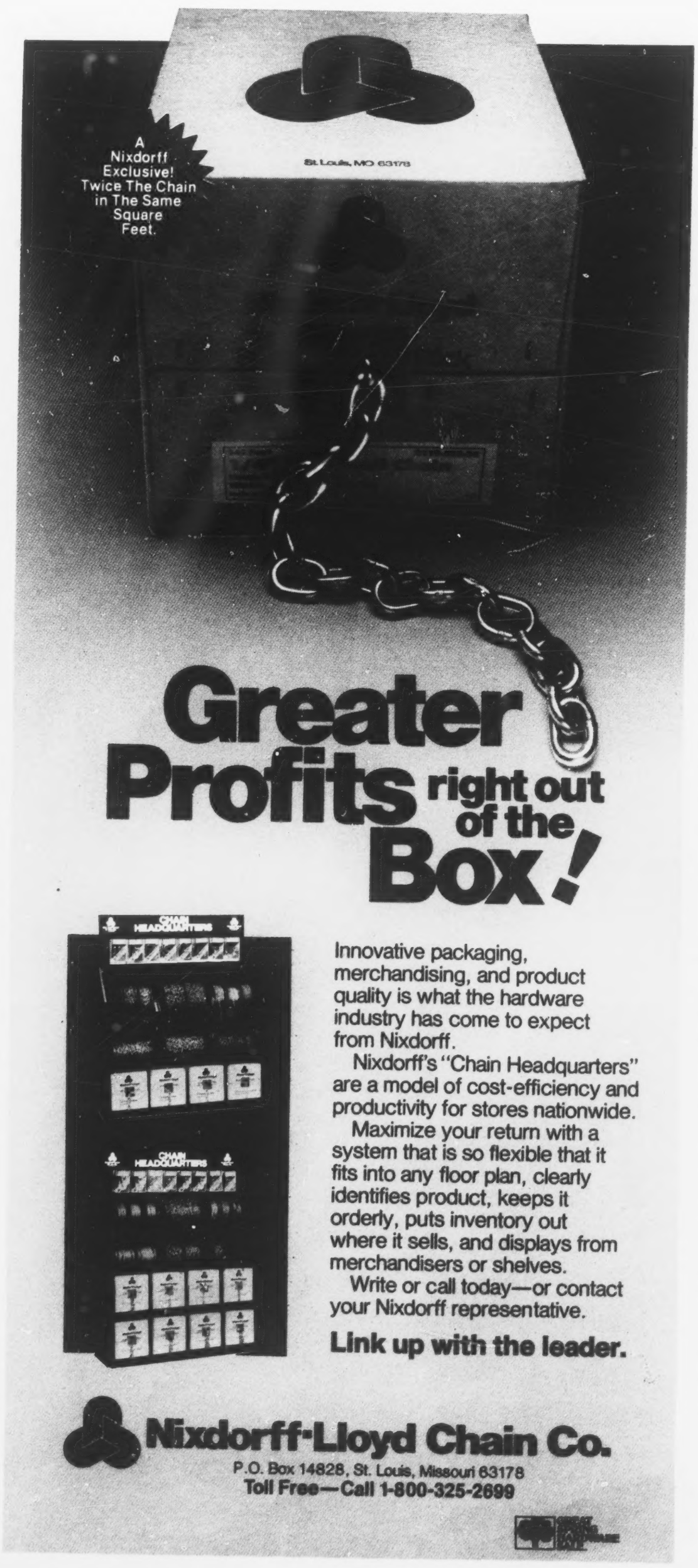
With declining sales and the Teamster unfair practices charge over its head, General Mercantile's board members became "paralyzed," according to DeHaven of Thompson & Mitchell, and decided to place the co-op into receivership against its banker's and legal counsel's advice.

At the time of the filing, General Mercantile had $2 million in debts, "and we told the dealers that if the company was brought into bankruptcy, they wouldn't get a dime and General would be written off with a bad reputation," DeHaven said. "We even suggested they try to interest a company like HWI [Hardware Wholesalers Inc., the Fort Wayne, Ind., co-op] in buying General. But they were stubborn, and insisted on taking the co-op under, fooling themselves into believing it could be reorganized. That's the tragedy."

The co-op's $1.2 million in inventory was liquidated through MF Banks of Minneapolis for a remarkably high 48.5¢ on the dollar, but after the bank creditors took their piece, nothing was left for vendor or dealer creditors.

Those contacted about the co-op's travails all agree that the opening of the new warehouse at a time when it does not appear the company was financially ready to assume the trappings of the larger buying groups was a mistake. And Barber feels that, were it not for the Teamster difficulties, General Mercantile would have made it. "A $9 million company is still a pretty good sized firm."

Said Simon of Sappington Hardware, "if the dealers hadn't acted like spoiled children, General Mercantile might still be around."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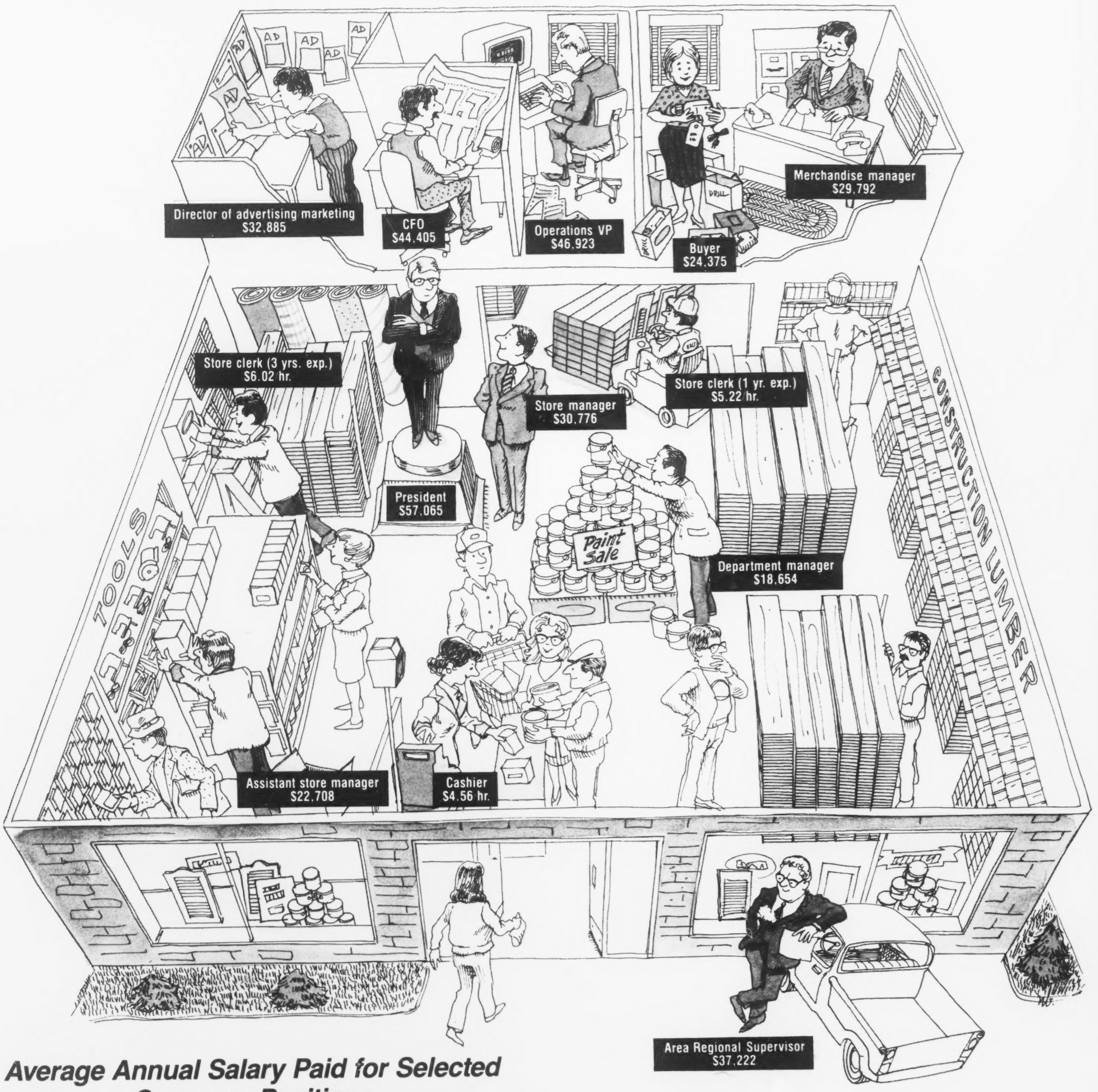
Rising salaries reflect sales gains



Average Annual Salary Paid for Selected Company Positions

The average annual salary paid to home center employees ranged from $18,654 for department managers to $57,065 for company presidents, according to a recent National Home Center News *survey.*

Home centers report rising payroll costs; sales gains lessen impact

NATIONAL REPORT—The average home center store manager makes $30,776 a year and receives an annual bonus of $4,729, according to a survey completed last month by Lebhar-Friedman Research for *National Home Center News.*

Store managers, it appears from the survey, are paid better than many buyers. A buyer with three or more years of experience receives an average of $24,375 in salary and a $3,589 bonus. A buyer in training receives an average of $19,286 and a $3,525 bonus.

By a 3-to-1 ratio, home center companies experienced an increase in their payroll costs in 1983 over the level spent the previous year, according to the survey.

However, because sales volumes increased so much last year over the year before, personnel costs as a percentage of revenue actually declined, from 13.3% to 12.6%.

Home center companies responding to the survey reported an average of 302.8 people were enrolled full time on their sales force, or about 17.6 per store.

As for part-time employees, the companies employed an average of 144.6, or about 4.6 per store.

The survey tabulated responses from questionnaires mailed to 500 home center companies, 35 of which responded by returning completed forms. The level of recipients returning the survey's questionnaires was high enough to draw conclusions concerning trends under way in the industry, particularly in regard to smaller or medium sized home center companies.

Respondents indicated that the average annual salary paid to employees ranged from $18,654 for a department manager to $57,065 for company presidents.

The average hourly wage paid full-time cashiers was $4.56, or $4.11 if the cashier was a part-time employee.

A full-time store clerk's starting salary of $4.66 per hour was increased to an average of $5.22 after a full year with the companies, and to $6.02 after three years.

The comparable hourly wages for part-time store clerks were $4.15 to start, $4.75 after a year and $5.06 after three years.

Only 26% of respondents had set minimum or maximum guidelines for the per cent of merit increase that could be awarded to their employees. Still fewer—only 14%—had set such guidelines for salary or wage increases accompanying promotions.

For those companies who had set minimum increases of compensation, the average figure was 2.8% for merit and 4.4% for promotions.

For those firms with maximum guidelines, the average was 8.8% for merit, and 14.6% for promotions.

Respondents stated that, on the average, only 7.6% of their employees belonged to a labor union.

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THE *NHCN* ANNUAL REPORT

Medical coverage predominates in home center benefit programs

NATIONAL REPORT—Medical coverage is provided to home center personnel more often than any other company benefit, with hospital coverage being the most commonly offered benefit in the medical category.

According to a survey recently undertaken by Lebhar-Friedman Research for *National Home Center News*, some 86% of all home center employees are offered hospital coverage, about 83% are offered major medical and 80% are offered surgical coverage.

Questionnaires were mailed to 500 home center companies by Lebhar-Friedman Research, as part of a survey concerning salaries, bonuses and benefits in the industry. Of the companies receiving the survey, 35 returned completed questionnaires, representing a sampling that is large enough to draw conclusions about general trends in the industry, particularly among small- and medium-sized home center companies.

Although the survey made a distinction between store level employees and executive level employees, it was discovered that, generally speaking, benefits in each category were offered by roughly the same percentage of home center companies to both groups.

However, there were some exceptions to this general rule. Long term disability was offered by 26% of respondents to store level employees but by 46% to executive level personnel.

Profit sharing plans were offered to store level employees 40% of the time, but to executives 46% of the time.

Stock options were offered to store level employees 3% of the time, and to executives 6% of the time.

Finally, prescription coverage was offered to store level personnel by 51% of respondents, while 57% of respondents offered such plans to executives.

Other categories of benefits were offered to employees by the following percentages of respondents, while executive level personnel received the benefits only slightly more often: Short term disability, 46%; dental plan, 28%; company paid life insurance, 63%; pension plan, 23%, and savings plan, 8%.

Bonuses awarded to employees by home centers

Position with company	% of replying companies awarding bonus	mean avg. bonus	% of those receiving bonuses over $10,000
Chief executive officer, chief operating officer, president	54%	$9,031	53%
Chief financial officer	48	8,450	59
Director advertising/marketing	23	5,583	12
Vp operations/gm	31	8,400	54
Vp merchandising/gmm	28	8,812	44
Merchandise manager	34	5,450	15
Buyer (3+ years experience)	48	3,589	6
Buyer (trainee)	28	3,525	9
Area/Regional supervisor	26	6,938	18
Store manager	74	4,729	12
Assistant store manager	54	2,092	none
Department manager	43	1,893	none

Source: Lebhar-Friedman Research; *NHCN* chart

The figures on this table illustrate the relationships of salaries for various levels of personnel in the home center industry. However, in many cases the response base used is small. Therefore, these figures may be relied upon only as generally representative of mean average salaries.

NHCN chart

First employee benefit query completed

NATIONAL REPORT—A review of employee compensation in the home center industry has been completed by *National Home Center News* in conjunction with Lebhar-Friedman research.

The survey explores the salaries, bonuses and personnel benefits offered by America's lumber and building materials retailers.

Earlier this year, Lebhar-Friedman mailed questionnaires to the top 100 home center and hardware chains, as well as 400 independent home center and hardware store operators, distributed evenly by region across the United States.

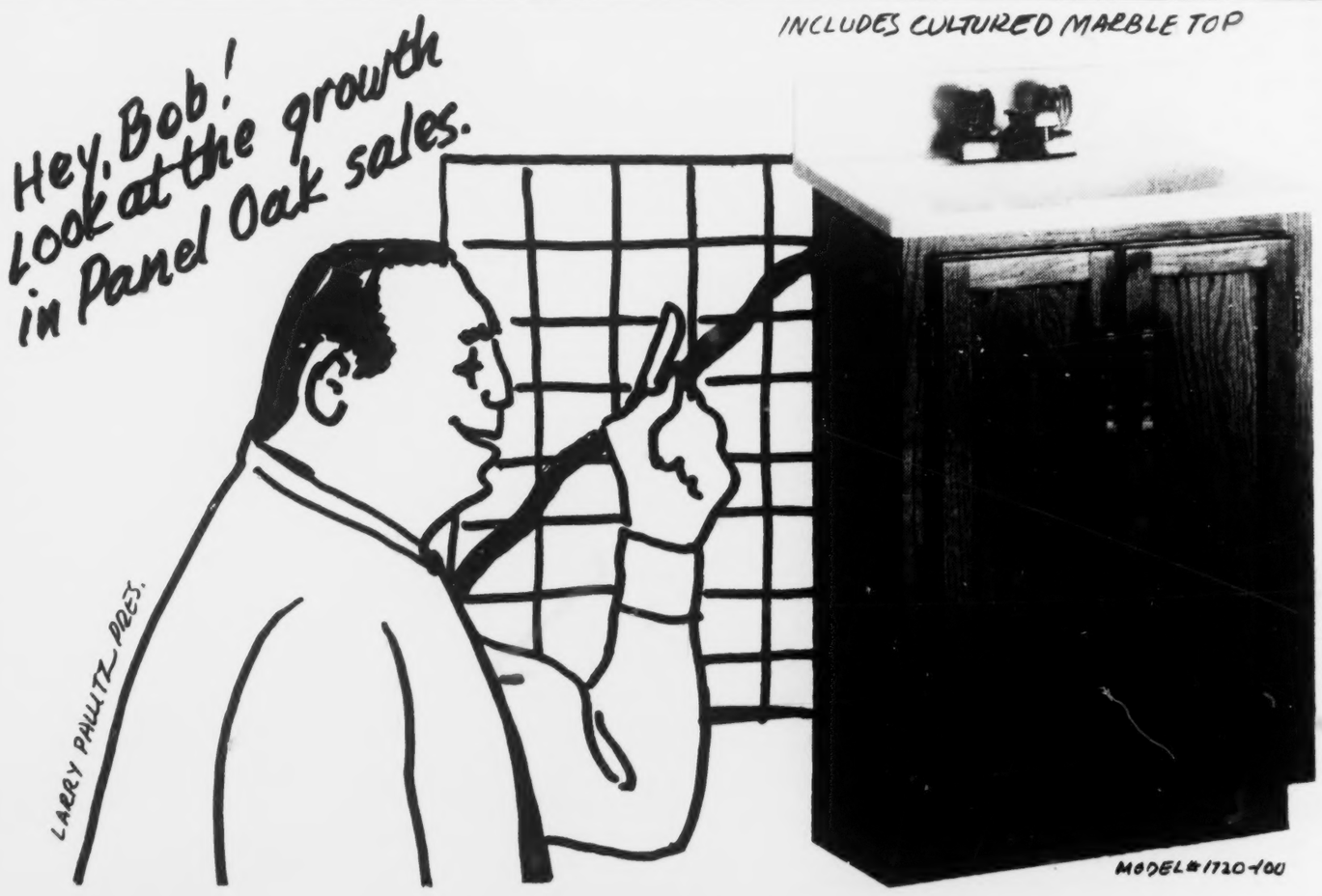
Of the questionnaires distributed, 27 were completed and returned. Lebhar-Friedman completed an additional eight surveys through telephone interviews. The resulting total of 35 responding companies represented a 7% return rate, one that is high enough to spot trends under way at the predominantly medium- and smaller-sized companies that participated.

Of the total respondents, about half operated a single store, while 20% operated chains ranging from two to 10 stores, and about a third operated larger chains.

About half the respondents were lumber and building material dealers with contractor sales totaling over 50% of their businesses. A third classified themselves as home centers, while the remainder described themselves as belonging to other categories.

About 57% of respondents reported annual sales of under $25 million; 14% reported sales between $25 million and $100 million, and 23% reported annual sales from $101 million.

About half the respondents said the majority of their stores were based in areas with populations of under 100,000. Of the remainder, 14% said the population levels surrounding their stores fell between 100,000 and 500,000; 8% said such levels were from 501,000 to 1 million, and 20% said the population levels were over 1 million.



Special Report: Energy Products—pp. 19-28

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National
Home Center News

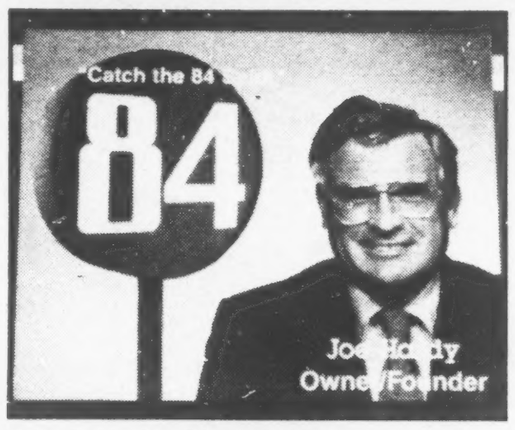
Vol. 10, No. 11 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. May 21, 1984

84 Lumber launches spirited TV campaign

By Suzanne Chazin
NHCN field editor

EIGHT-FOUR, Pa.—84 Lumber is using its namesake year to launch a new company slogan, "Catch the 84 spirit," with an aggressive television advertising campaign in a number of key markets.

***NHCN* has learned that 84 Lumber intends to increase its advertising budget by approximately $25 million this year. In addition, the privately held firm has set a companywide goal of $840 million in sales for 1984, a figure that is roughly 22% greater than last year's volume, based on *NHCN* estimates.**



Founder Joe Hardy's plans for 84 in '84: extensive TV advertising, major renovations and sharper prices. NHCN photo

Although the western-Pennsylvania-based company has used television in limited markets in previous years, 1984 marks its first full-scale entrance into that medium. Says one television executive, "Although they did some TV ads a long time ago, this is the first indication we've

(Continued on page 62)

Hechinger, K mart divorce scuttles warehouse venture

Companies developing own warehouse plans

By Kenneth Schept
NHCN executive editor

LANDOVER, Md.—The marriage is off.

Hechinger and K mart have dissolved the alliance they formed in February to launch a national chain of warehouse home centers called The Home Team. Instead, each company will separately develop its own warehouse stores.

In September Hechinger will open its first, a 60,000-sq.-ft. outlet in a former Raleigh, N.C., Kings. At about the same time, K mart expects to roll out the three Chicago warehouses that were to be launched as part of the joint venture with Hechinger.

Hechinger, which is forming a warehouse store division, expects to have more sites by summer. K mart will convert some of its discount outlets into home centers, especially units in good retail locations whose performance has been hurt by overstoring. Most of K mart's warehouse home centers will be located outside the Sunbelt.

"We had this project under way before talking with Hechinger so we have actually been delayed perhaps two months and will move ahead aggressively," said K mart chairman Bernard Fauber. K mart could develop a $1 billion home center business within five years, he commented.

Whether K mart or Hechinger will use the "Home Team" name is not yet settled. Both would like to. "It was our invention," said Hechinger president John Hechinger. "It is our registration."

"There are still a lot of issues and questions to resolve," said Glen Mielke, K mart operations vp for freestanding home centers, who had served as operations vp for The Home Team. "For the most part the main issue is the name, its future use and the merchandise assortment that had been established through the end of April."

The breakup came because an accumulation of differences between the nation's second-largest retailer, with 2,161 stores, and the 44-unit, family-controlled, regional home center chain.

"We wanted full responsibility for doing the merchandising and to really rely on some of the great strengths of K mart,

(Continued on page 62)

Store count to triple by 1990

Evans christens six units; further openings planned

By Greg Puchalski
NHCN senior editor

SAYREVILLE, N.J.—Evans Products retail group made its boldest plunge yet into DIY warehouse retailing during the last week of April with the grand opening and re-opening of six warehouse stores.

The blitz of openings, which advanced the 348-store chain to 15 warehouse units, extended along the East Coast with the unveiling of a 60,000-sq.-ft. unit and attached drive-through here, the re-opening of two Moore's outlets in Charlotte, N.C., and the re-opening of two Lindsley units in Clearwater and Seminole, Fla., all as warehouses.

The company included its West Coast operations in the festivities with the completion of a conversion of a Grossman's store in Modesto, Calif.

The debut of the retail group's warehouse stores will continue, according to retail group president Mike Grossman, who attended the grand opening here along with other Grossman's executives and Evans Products vice president Tracy Posner, daughter of financier Victor Posner whose Sharon Steel Corp. owns nearly half of Evans Products.

Evans and Grossman's executives, with municipal officials, gather for grand opening of Grossman's Building Material Warehouse in Sayreville, N.J. From left: Robert Harrow, Grossman exec vp; J. Howard Kolb, Sayreville's assessor; retail group pres. Mike Grossman; Evans vp Tracy Posner; store mgr. Jim Troiano; Old Bridge Mayor Russell Azzarello, and Grossman exec vps Everett Grossman and Stanley Berman. NHCN photo

"Since last December, we've opened or remodeled 15 stores into the warehouse style," Grossman related enthusiastically. "That's the most rapid warehouse expansion in the industry. We will have 20 to 25 warehouse stores in the chain by the end of the year. These stores will give us the basis for $200 million in warehouse-store volume."

The company is preparing

(Continued on page 62)

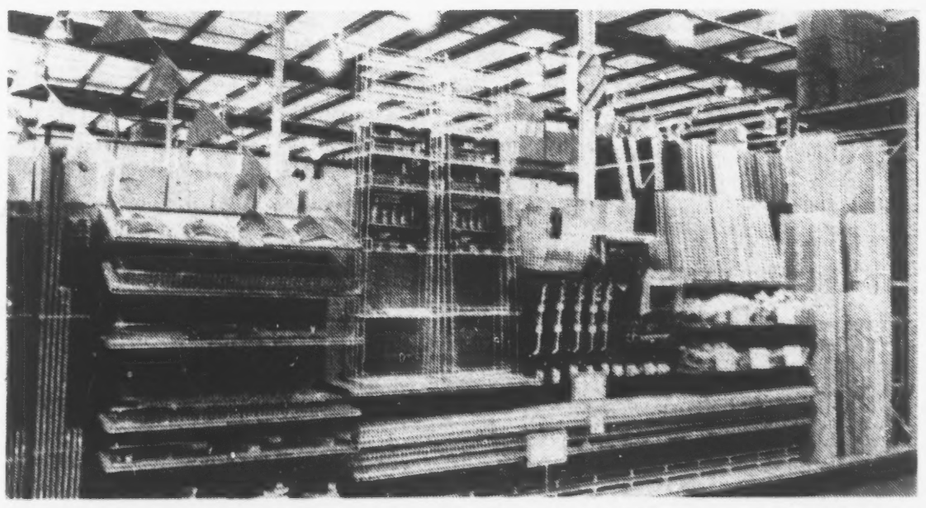
Cluttered closets create cache of sales

By Linda Lynton Carnevale
NHCN field editor

NATIONAL REPORT—There are nearly half a billion closets in America, yet for most consumers, there still doesn't seem to be enough storage space in their homes.

That irony appears to be turning into a bonanza for retailers, however, as a growing number of dealers are discovering a booming business for products designed to organize the nation's closets and storage space.

Industry figures on the sales of storage organizing products appear as difficult to find as spare storage space, but a number of suppliers are predicting unit sales this year will be approximately double those of last year.



West Building Materials, Jonesboro, Ga., displays many different types of storage organizing products. NHCN photo

An estimated 250,000 closet organizers have been sold within the past two to three years, and another 250,000 are expected to be sold in 1984, according to one manufacturer, Clairson International, which makes the Closet Maid line of closet organizers.

(Continued on page 37)

NEWSBREAKS

LARGEST STORE FOR MEEK. Charles C. Meek Lumber, Springfield, Mo., has broken ground in Chico, Calif., for its largest store to date. The 18,000-sq.-ft. unit is due to open this fall.

INSIDE:

HOME CENTERS OF AMERICA will drop the word "pro" from its store name, Home-Pro Warehouse, as a result of a trademark suit by distributor Pro Hardware ..... **Page 2**
COLOR TILE has agreed to purchase the 128 Canadian units and 22 Pittsburgh paint stores of Color Your World 2
WORLD EXPO CONSTRUCTION boosted sales at some New Orleans building material dealers by as much as 18% 3
INDUSTRY EXECUTIVES believe their DIY customers will become more demanding in the decade ahead 3
WOLOHAN'S RELOCATED FLAGSHIP unit drawing strong DIY volume at its new site 30
NEW COMPUTER helps a Massachusetts independent provide quicker estimates to its DIY and contractor customers ... 55

NHCNews Briefs

Industry Update

Sigoloff could net $4.5M bonus

LOS ANGELES—In June 1982, Sanford C. Sigoloff, Wickes Cos. chief executive, told a court-ordered meeting of creditors here that his $350,000 annual salary was "not enough."

What a difference two years makes. In Wickes' 10-K annual report for fiscal 1984 (ended Jan. 28) filed with the Securities and Exchange Commission in late April, it was revealed that Sigoloff was paid $880,248 last year in cash and incentive bonuses—a 151% increase from his starting salary and a 56% boost from his total 1983 compensation of $564,-648.

More significantly, the 10K report aid that Wickes' directors have approved a "confirmation awards program" (*NHCN*, March 26) for 190 key employees totaling $18 million, of which the board "anticipates that approximately 20% to 25%" will go to Sigoloff. That amount would range from $3.6 million to $4.5 million.

The report disclosed that Jeffrey Chanin, executive vp, received a salary and incentive bonus totaling $469,397 for the year, a 60% increase from his $294,083 remuneration, and a 168% boost when compared with his first-year salary of $175,000.

Wickes' third-highest wage earner, Wilhelm A. Mallory, executive vp and cfo, received total renumeration of $339,108 for the most recent fiscal year, compared with $198,042 in fiscal 1983 and $125,000 for the previous year.

According to Wickes' 156-page disclosure statement—its official reorganization plan approved in principle by creditors last February and filed with Federal bankruptcy court April 30—Wickes' creditors will receive between $400 million to $500 million more if the company were liquidated under Chapter 7.

The statement said that total liquidation of Wickes would bring creditors of the two main Wickes Cos. subsidiaries—Wickes Corp. and Gamble-Skogmo—about $575 million to $675 million. Liquidation of Wickes Corp., which oversees the Builders Emporium and Wickes Lumber divisions, would "likely result in cash available for distribution of between $250 million and $300 million," the statement said.

Home-Pro to change name

SAN ANTONIO—Home Centers of America has agreed to strike the word "pro" from its store name, Home-Pro Warehouse.

The change resulted from an out-of-court settlement with Pro Hardware, a national hardware distributor, which charged Home Center of America's use of the word "pro" constituted trademark infringement (*NHCN* May 7).

Home Centers of America also reported its first profit since the chain was launched in February 1983. For the eight weeks ended April 22, the eight-store chain earned $401,974 on $13,789,236 in sales.

The chain is expected to open its third Houston store this month and also announced plans for two more units there. Two others in that market are currently under construction, with opening expected this fall, making a total of seven units that the company has either opened or is committed to in Houston.

According to Home Centers of America senior vp Jud Walford, the chain plans to have 10 Houston stores in place before the end of fiscal 1985. The unit opening this month is located at Beachnut and Loop 610.

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Vol. 10, No. 11 May 21, 1984

Color Tile buys Canadian retailer; Pittsburgh units included in deal

FORT WORTH—Color Tile, one of the country's largest specialty home decor retailers, has entered into an agreement to buy Color Your World, Canada's largest paint dealer.

Color Tile will purchase the Etobicoke, Ont., company's 1,415,200 shares of stock for an average price of $19.50 per share. The agreement, struck with Color Your World's majority stockholders, was expected to be finalized sometime this month, according to John Wilson, Color Tile's president.

"We've been touching base with Color Your World for some time and it's always been our intention to go into Canada with stores," Wilson told *NHCN*.

Color Tile is getting a chain that operates 128 retail outlets in Canada and 22 stores known as "Peerless" in the Pittsburgh, Pa., market. It also has three paint and wallpaper manufacturing plants, and last year did about $49 million in sales, of which 45% were from paint products and 45% from wallpaper.

Color Your World's stores average 4,500 sq. ft., according to company executive Paul Strongman, compared with Color Tile's units which run from 5,000 sq. ft. to 6,000 sq. ft.

Their physical size is similar, but the two companies' product mixes vary. Color Your World stocks from 500 to 600 paint and wallpaper products, whereas Color Tile specializes in five basic product groups: resilient flooring (which produced 33% of the $241 million in sales in its last fiscal year); ceramic tile (30%); installation materials and tools (21%); paint and wallpaper accessories (9%) and wood, mirror and metal tiles (6%).

All told, its stores inventory 2,200 sku's, of which 900 to

(Continued on page 4)

Payless opens new Furrow units; expands kitchen & bath offering

By Phillip M. Perry
NHCN associate editor

CINCINNATI—When Payless Cashways held simultaneous grand openings for its three new Furrow stores in this city last month, the public saw kitchen and bath displays that were larger and more attractive than any in the chain's history.

"On items such as bathroom vanities, it used to be a matter of who-can-out-low-who," said Brad Bright, the company's director of display merchandising, in explaining the reasons for the change in the departments.

"People don't want that kind of approach any more. It may be a matter of higher interest rates causing people to live in their houses longer, but in recent times there has been a marked increase in demand for quality merchandise" in these departments, he added.

Kitchen displays covering 1,000 sq. ft., and bathroom and decorative plumbing displays covering 2,472 sq. ft., have been installed in each of the new stores which have 30,000 sq. ft. of showroom.

The departments are considerably larger than those in older Payless stores, not only so that a greater variety of higher quality items can be displayed, but also so that they can be assembled in what Bright called "more glamorous settings, in coordinated ensembles," rather than the straight runs common to older Payless stores.

Bright added that the need for larger and more glamorous settings went hand-in-hand with the need to present higher quality, more expensive, styles of merchandise.

"Products in these departments have an ego value to the customer," he said. "When you display a $400 vanity and a $90 faucet, you have to romance the customer.

"If a guy is going to tear up his bathroom [to install another

(Continued on page 61)

Home resales top 3M mark for first time since November '80

NATIONAL REPORT—Home resales topped the 3 million mark in March for the first time since November 1980 according to the National Assn. of Realtors.

At a seasonally adjusted annual rate, home resales rose by 4.1% over February's figures to 3.03 million units.

"The fact that existing home sales markets are continuing to strengthen in spite of the uptick in mortgage interest rates underscores the strong desire for homeownership through the country," said Jack Carlson, an executive and chief economist with the association.

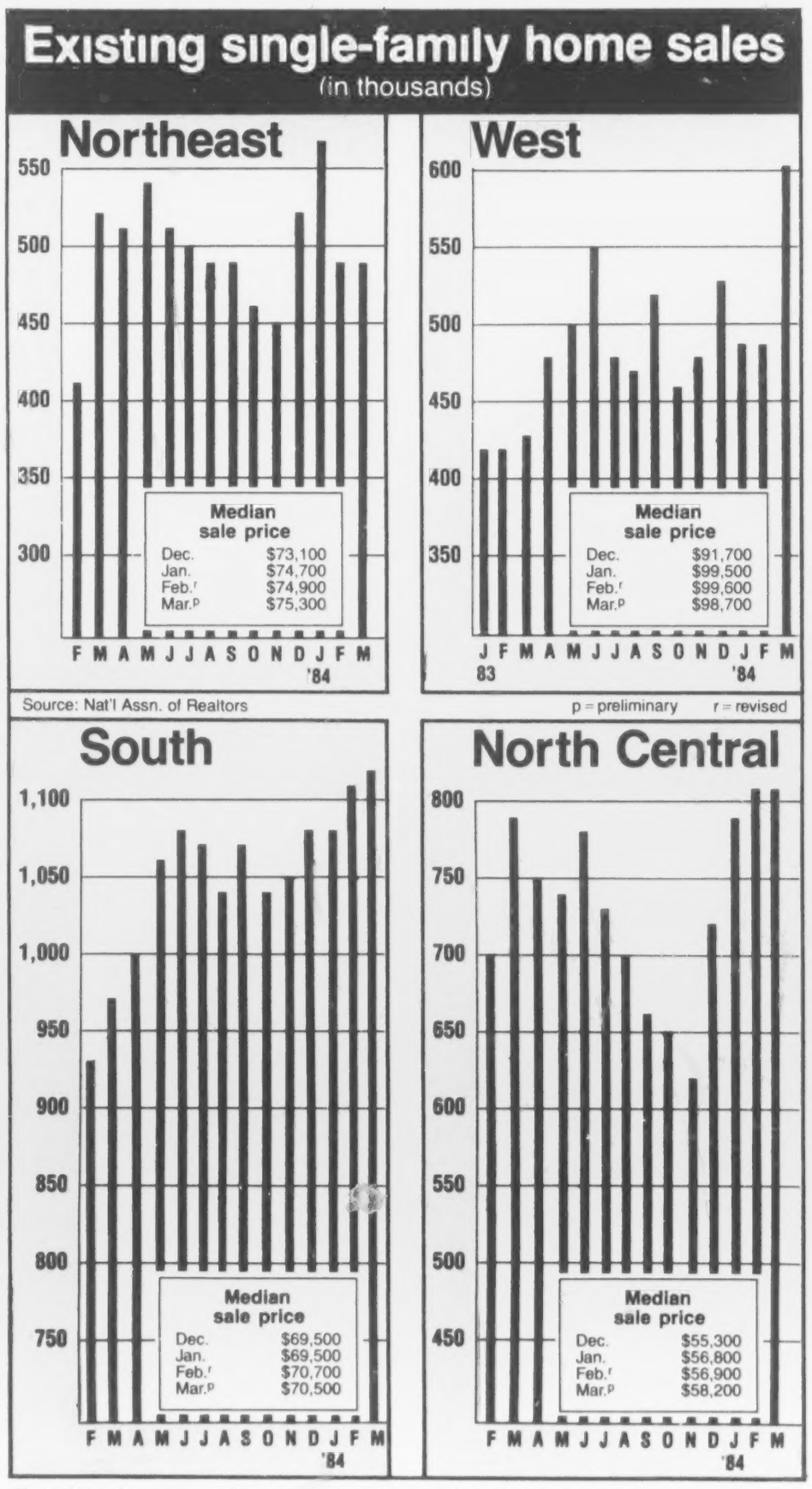
March interest rates for a fixed-rate mortgage rose from 13% in February to 13.75% and for adjustable-rate mortgages from 11% to 11.75%.

The greatest increase in single family home resales took place in the West, which was up 22.4% over February to 600,000 units (seasonally adjusted). The South recorded a rise of 0.9% to 1.12 million units, seasonally adjusted. Both the Northeast and North Central regions remained the same with 490,000 and 810,000 units respectively.

Carlson doubted that this high level of resale activity could last and predicted 1984 existing-home sales would total 2.97 million units and decline still further to 2.5 million in 1985 as interest rates continue to rise.

March also showed an increase in the number of homes available for sale, according to the association. There were 2.74 million units on the market compared with 2.44 million in February.

The median sales price for a single-family home rose by $600 over the last February to $72,-400. This was 5.1% higher than in March last year.



Existing home sales in March reached 3.03 million, seasonally adjusted, the highest since 1980, according to the National Association of Realtors. The West was up 22.4% over February's figures to 600,000 units and the South continued to increase to 1.12 million units. The median sales price for a single-family home rose by $600 over February.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	3/31-1st qtr.	$ 948,180	$ 770,980	23	$27,880	$11,130	150
Color Tile	3/31-3rd qtr.	79,065	63,718	24	3,875	3,538	10
Forest City	1/31-4th qtr.	83,498	82,862	1	– 629	2,264	—
	1/31-Year	331,702	338,768	– 2	4,179	6,391	– 35
National Lumber	3/31-1st qtr.	28,937	24,312	19	328	175	88
Scotty's	3/31-5 wks.	49,607	39,331	26	—	—	—
	3/31-3rd qtr.	114,775	95,897	20	5,741	3,373	70

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 4/30	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		40¾	47⅜	34½	16
Edison Bros. Stores (NYSE) [Handyman, Homer's]		38¾	46¾	35¾	9
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5¾	19½	4⅞	—
Forest City (AMEX)	A	16	20⅛	11½	12
	B	—	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		41⅛	50⅜	38⅜	12
Home Depot (NYSE)		19½	31¾	14	48
Lowe's (NYSE)		19⅜	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		5⅞	14	5⅝	16
Pay 'N Pak (NYSE)		14¾	24	12¾	13
Payless Cashways (NYSE) [Furrow]		15⅞	34½	15	13
Scotty's (NYSE)		14⅛	20	13⅛	11
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		21¾	22½	12⅛	—
Standard Brands Paint (NYSE)		18½	28¾	18	11

Nasdaq—over-the-counter stocks

		As of 4/30	52-week High	52-week Low	P/E Ratio
Color Tile		15⅛	25⅛	13⅝	—
Hechinger	A	14¾	24¼	14	—
	B	15	26	14	—
Pay 'n Save		18¼	29¼	17	—

Over-the-counter stocks

	As of 4/30 Bid	As of 4/30 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	—	25¼	16
Hines Lumber	34	35	41½	23½
Home Centers of America [units]	18	—	51½	13¼
Homecrafters Warehouse	13¼	13½	17½	12½
National Lumber	6½	7	13¼	5¾
Scotts Seaboard [Scott's]	3	3¼	5	1
Wolohan Lumber	4⅜	4⅝	10⅛	4⅜

FINANCIAL NEWS

Boise posts 150% gain in first quarter net income

BOISE, Idaho—Boise Cascade reported a 150% increase in net income to $27.9 million during the first quarter of the year, officials reported.

The increased profitability was helped by a 23% gain in first-quarter volume from a year ago to $948.2 million.

Boise Cascade chairman and ceo John B. Fery said the positive results came primarily from improved markets for the company's paper products.

While officials said the building materials distribution division, which includes 85 home centers, performed well in part because of the remodeling and remerchandising that has taken place in various stores over the past several years and because of improving markets for new home construction, generally Boise Cascade's wood products business did not contribute to the financial growth.

The building products segment, which includes wood products manufacturing and building materials distribution, showed an $884,000 loss compared to last year's $2.6 million loss, on sales of $312.8 million, up 24% from last year, for the quarter. Officials blamed the results on low wood product prices caused by a continuation of excess production relative to demand.

While Fery expects the improving trend in building materials distribution to continue, prospects for wood products in general are still uncertain. Any improvements will depend in part on better prices, continued strong home building activity and interest rates, officials noted.

Scotty's redemption increases company's net worth to $135M

WINTER HAVEN, Fla.—Virtually all of Scotty's 9¾% convertible debentures called for redemption as of April 1 were converted into Scotty's common stock for $11.73 per share, according to chairman and ceo James W. Sweet.

The conversion increased the company's total net worth to more than $135 million while reducing long-term debt to about $18 million, he said. There was no further dilution in earnings per share as a result of the conversion. Scotty's stock was selling at $13.75 per share as of March 30.

The 108-store chain originally issued the $15 million in debentures on March 1, 1981 to help finance expansion.

National opens first store in two years, net income rises 88%

SANTA ANA, Calif.—A new store and the continuing effects of a price-leader marketing strategy helped 13-store National Lumber boost its earnings and profits during the first quarter ended March 31, officials announced.

National posted an 88% gain in net income to $327,650 on a 19% increase in revenues to $28,936,859 compared to last year's initial quarter. Gross profit also rose 16% and ended the period at 27.8%, officials said.

More units

The company opened its first store in almost two years in February in Culver City, Calif. to contribute to its growth. Officials said additional store sites are being secured in San Bernardino and San Diego Counties and negotiations are in the final stages for a unit in Westminster, Calif.

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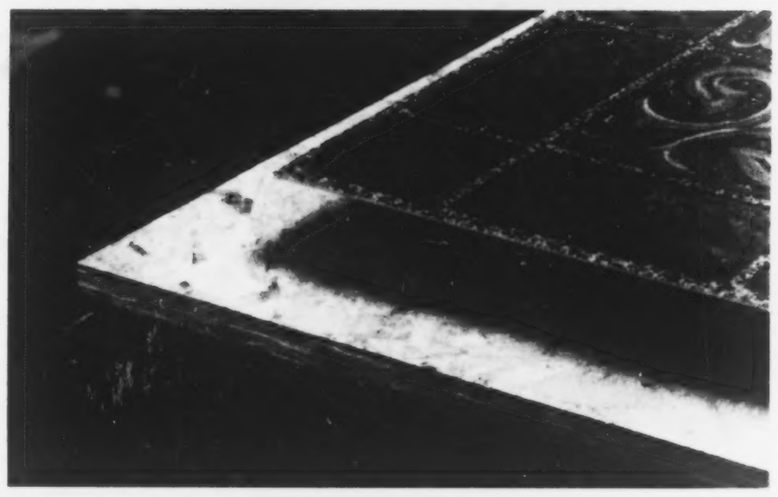

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LUMBER REPORT

Election year interest rate outlook bodes well for vibrant lumber biz

By Hawk Furman
Special to NHCN

The lumber market should remain vibrant throughout 1984 if, as President Reagan told a panel of housing industry representatives recently, "Before the warm weather has left us, we are going to see some settling down of interest rates."

There are many factors pointing to continued high volume sales of lumber and panelboard products in 1984.

'A majority of retailers have learned from the past and are keeping inventories in line with current business expectations. They do not see a shortage of lumber, so they are not about to panic.'
—Hawk Furman

March-April sales slide

The slide in volume and prices of lumber in March and April was a direct result of unfavorable weather. Even though interest rates increased, there was a great deal of work committed but the shipments were postponed to the job sites because of snow, rain and mud. Additionally, the March and April slack followed an unusually brisk January and February sales period.

Current demand

Demand for housing remains excellent as "baby boomers" continue to seek out their first home. In 1983, first time home buyers accounted for purchases of 48% of all single family homes. There is more buying up to larger homes this year from starter homes. Private industrial and commercial business is picking up along with Government work.

Builders are optimistic as a survey by the National Assn. of Home Builders in February showed that they expect a 28% increase in housing starts over 1983. This represents starts of 2,176,000.

Remodeling activity continues to be strong. According to Data Resource, remodeling, repairs and renovations is a $54 billion business. The National Forest Products Assn., The Western Wood Products Assn., The Southern Forest Products Assn. and other associations are vigorously promoting wood in an effort to increase consumption. The WWPA program hopes to increase wood consumption by 2.5 billion ft. by promoting wood decks, all-weather wood foundations, wood fences, wood floors and other projects with wood.

Financing

Will there be enough money to meet the mortgage demand?

A weird phenomenon is occuring. Interest rates are rising but the availability of money is seemingly endless. Adjustable rate mortgages currently account for 60% of all mortgages written. According to Salomon Brothers, 24 million families qualify at 13¼% fixed rate mortgages and 31 million families qualify at 11% adjustable rate mortgages.

Mortgage backed securities increased $89 billion in 1983, up 65%. It appears that Congress will act to help in this area. The Secondary Mortgage Enhancement Act is designed to remove obstacles to trading and investing in securities backed by mortgages. Adequate financing for home buyers should be available during this Presidential election year.

Supply

There is a lot of wood. Production is approaching the peak years of the late 1970's. Mill inventories in the United States Pacific Northwest are 12% higher than last year at this time. Production in the United States Pacific Northwest is at 101% of normal—normal being

(Continued on page 50)

FUTURES

Two weeks ended April 26, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May '84	163.80	152.00	152.30	161.90	2,542	245.50	152.00
July	178.40	167.30	167.90	176.40	3,450	252.50	167.30
Sept.	182.90	173.60	173.60	181.20	1,358	236.00	173.60
Nov.	181.00	171.30	172.40	179.70	1,246	229.00	171.30
Jan. '85	188.00	179.20	180.90	187.30	262	221.30	179.20
March	193.00	185.50	185.50	191.50	108	220.40	185.50
May	197.00	190.00	190.00	196.50	138	225.00	190.00

Total Contract Vol. (Through 4/26): 28,525 — **Previous Two Weeks: —**
Total Open Interest (As of 4/26): 9,136 — **Previous Week: 9,439**
Cash Price: $156.80 — **Previous Week: $158.76** — **Year Ago: $187.18**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May '84	184.00	176.50	177.00	184.00	118	208.50	176.50
July	188.70	181.50	182.00	188.00	78	210.00	181.50
Sept.	190.50	186.50	186.50	191.00	11	212.50	186.50

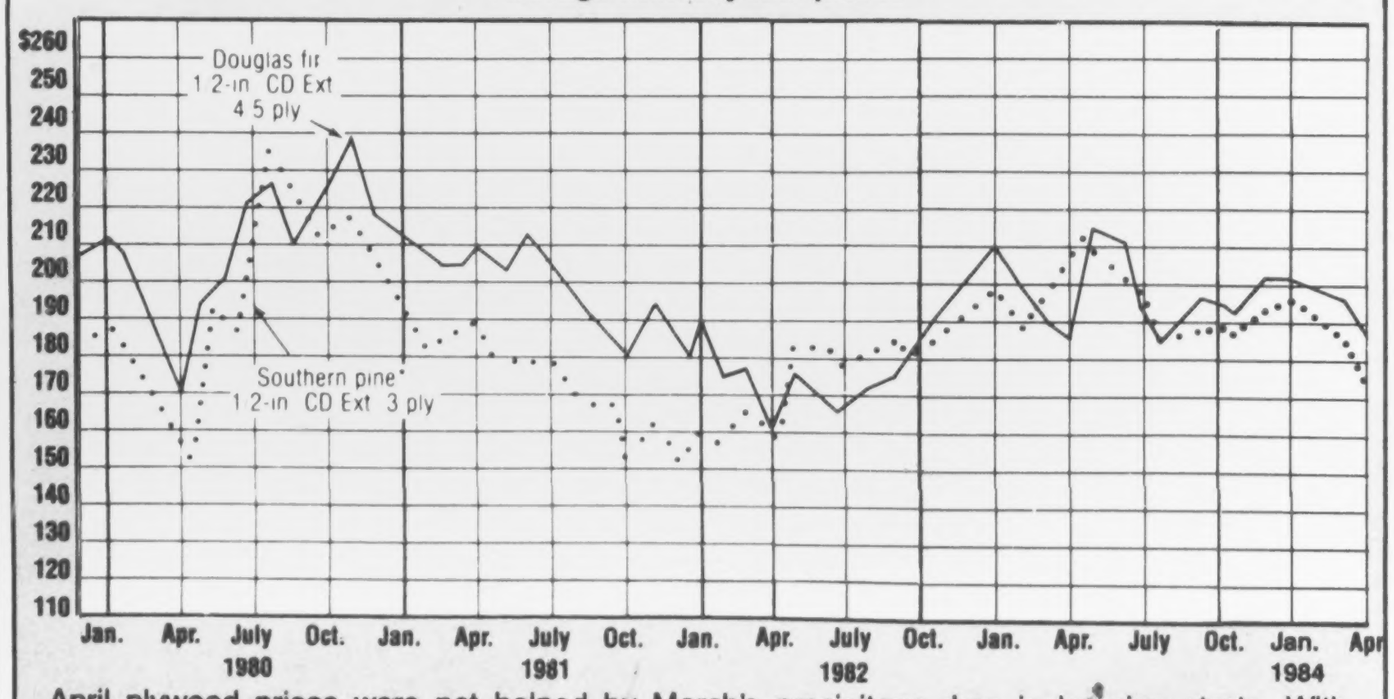
Total Contract Vol. (Through 4/26): 195 — **Previous Two Weeks: —**
Total Open Interest (As of 4/26): 207 — **Previous Week: 212**
Cash Price: $184.24 — **Previous Week: $187.18** — **Year Ago: $184.24**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	276.2	276.1	245.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, April 26.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



April plywood prices were not helped by March's precipitous drop in housing starts. With production up, the poor housing start showing seemed to dampen buying, which softened prices. Douglas fir ½-in. CD Ext. 4-5 ply sold for $188 per thousand square feet at the end of April compared with $198 a month earlier.

Source: *Random Lengths*

Plumbing, heating & cooling supplement—pp. 23-50

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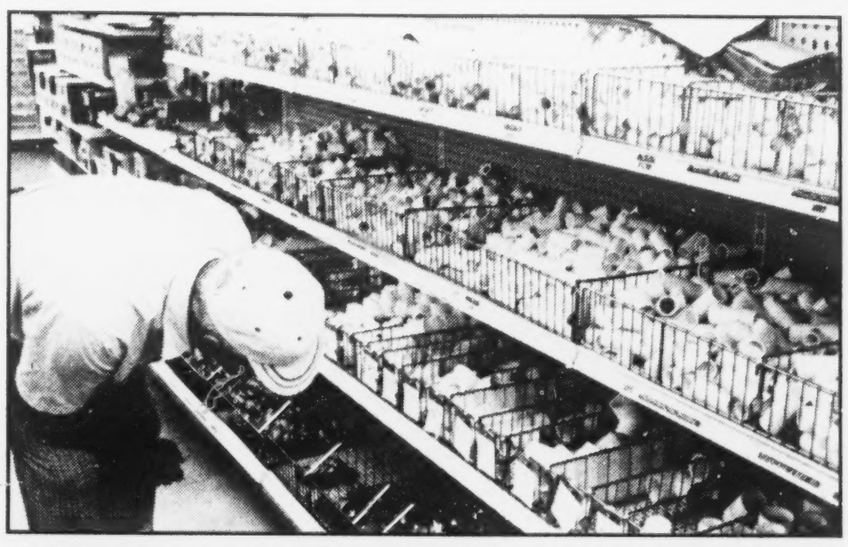


While sales and margins on traditional plumbing, heating & cooling items, such as pipe fittings, remain stable, some dealers are testing products like air-conditioners, furnaces and tankless water heaters to see if a strong department can be made even stronger. But jury is out on whether DIYers will turn to home centers for the new items. See page 23.

W. R. Grace discloses plan for warehouse store chain

By Kenneth Schept
NHCN executive editor

BALTIMORE—W. R. Grace intends to launch a new chain of warehouse home centers, with the first stores perhaps rolled out this fall in the Sunbelt.

"We're looking at four or five locations," said Carl Graf, Grace president and coo.

"The plans are under way at this point and we have an aggressive search on for real estate," said Edward Tutun, Grace executive vice president and group executive of its retail group. "Once we have the real estate we're probably talking four months before we open."

News of the new warehouse venture came in response to questions at a press conference following the $6.2 billion conglomerate's annual meeting here last month.

Grace currently runs seven home center chains that collectively produced sales of $974 million last year, according to *NHCN* estimates. Of the roughly 290 home center stores operated nationally as Angels, Cashways, Channel, Orchard Supply, Handy City, Handy Dan and House Works, all but the seven House Works are basically convenience stores that, at 30,000 to 50,000 sq. ft., are moderate in size by today's standards.

"Our plan is to get something that is larger in size than our present House Works operation," said Tutun.

So far Grace is developing this idea internally, at the corporate level. However, since the company entered the home center industry in 1977, all of its chains but House Works have been gained through acquisition.

And Tutun acknowledged, "If an opportunistic acquisition comes along, we'll consider that as well."

The conglomerate was reportedly first nudged into the warehouse home center business by its chairman J. Peter Grace when he suggested such a move last January during the business plan presentation of the retail division.

The corporation's interest in

(Continued on page 70)

Home center sales shine thru rainy 1st qtr.

***NHCN* staff roundup**

NATIONAL REPORT—Despite unusually wet midwinter weather conditions in the East and Midwest and a continuing dry spell in the Southwest and California, retailers around the country are reporting average first quarter sales increases of roughly 25% over the same period last year.

Although the Eastern Seaboard and parts of the Midwest experienced considerably more rain and snow than normal, home center operators in these parts of the country say business was good through April.

Stores in California especially welcomed their warm, drought-like weather over last year's winter in which torrential rains swept much of that state's southern sections.

Retailers also attributed the increases to a continued strong economy that has boosted consumer remodeling sales and spurred contractor development. New home construction in fact, has risen to 1.9 million annually adjusted housing starts in the first three months of 1984, up 19% over last year in the same period. Also, increased competition in a number of markets has caused chains to sharpen their advertising and merchandising which in turn has encouraged sales.

Even though business has picked up this spring, many of

(Continued on page 70)

Cashways opens only 2nd unit in 4 yrs.

Grace, local economy stymie further growth

By John Caulfield
NHCN senior editor

EL PASO, Tex.—Last month, a new 65,000-sq.-ft. Cashway Building Centers unit was opened in San Angelo, Tex., only the second store to be added to this 13-store chain since it was acquired by W. R. Grace in July 1980.

With the fourth anniversary of that $50 million purchase drawing near, it appears that Grace's initially ambitious expansion plans for Cashway have stalled. The parent company has shuttered Cashway's marginally profitable contractor division and is reportedly looking at new retail sites in Salt Lake City and Albuquerque. But its goal of having 27 Cashway units by 1986 has been scuttled.

A weak border economy, the 1980-82 collapse of the housing market which severely impacted contractor sales, the lack of adequate new areas to move into, and a change in corporate priorities as a result of Grace's consolidating its west-

(Continued on page 69)

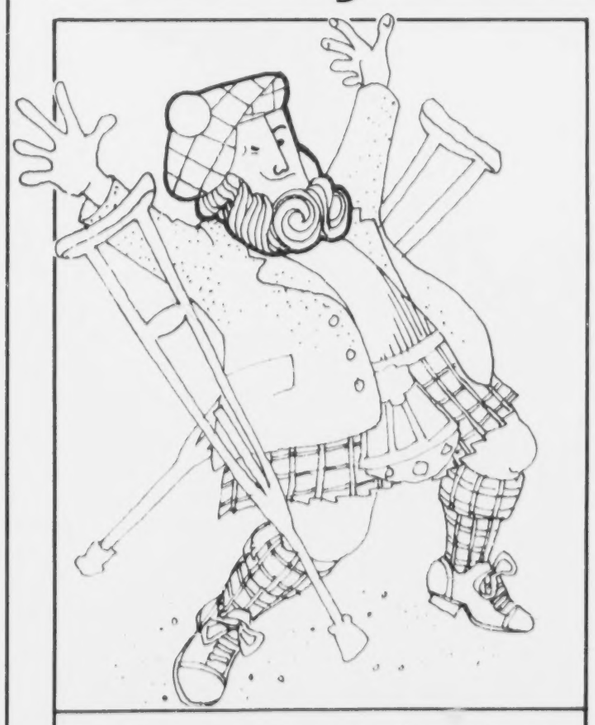
NEWSBREAKS

BIG PAYLESS UNITS OPEN. Payless Cashways just opened its largest stores to date, in Mesa, Ariz., and Visalia, Calif. Each has 37,500 sq. ft. of showroom in a 45,000-sq.-ft. building. An even larger building, 65,000 sq. ft., is planned for August in southeast Dallas.

INSIDE:

M.L. CLASTER & SONS is relying less on its distribution center in an effort to prevent stock shortages ..... **Page 2**
THE GEO. WORTHINGTON CO. has ambitious plans to sell products to schools, offices & other commercial accounts ... 3
GROSSMAN'S NEW PRINT ADS show attention to camera-eye detail & three-dimensional graphics: Ad & Marketing 55

Scotty's back on its feet as banner year nears end



Last year at this time, Scotty's was reeling from decreased profits and lower gross margins, due in part to stiff competition from The Home Depot. However, for the past year, Scotty's posted solid bottom line gains.

Many factors contribute to financial turnaround

By Greg Puchalski
NHCN senior editor

WINTER HAVEN, Fla.—When Scotty's officials close their books for fiscal 1984 later this month, all indications are that the 109-store company will have registered a banner year.

Through the first nine months of the fiscal year, Scotty's net income was up 71% from a year ago to $12.2 million or almost $1 million better than it recorded in all of fiscal 1983. Gross margins were up by better than a percentage point in the period and were showing signs of continued improvement.

However, last year at this time, the picture was much different.

Scotty's was reeling from its head-to-head battle with The Home Depot in Orlando. The two new Home Depots were displaying Scotty's fall catalog and offering 20% off the catalog's prices. Scotty's in turn countered by reducing gross margins about 3% at its nine Orlando area units, distributing a weekly insert there and having extra promotions.

As a result of this and other factors, in last year's third quarter, the first quarter of the 1983 calendar year, the chain found its net income down 17% and gross margins off almost three percentage points on a year-to-year basis.

And, ahead was another confrontation with The Home Depot in the Tampa area where Scotty's has eight stores.

However, for the last year, Scotty's has posted nothing but solid bottom-line increases. The company showed a 20% gain in profits in its final fiscal quarter of 1983 and through its first three quarters of fiscal 1984, Scotty's has recorded no worse than a 53% net income increase each quarter.

The reasons for the turnaround emanate both from inside and outside the company.

Internally, Scotty's has begun to benefit from the addition of some higher-margin stock keeping units, the remerchandising of some of its stores, continued expansion, the opening of its first Scotty's Hardware units, and tight expense control.

Externally, Scotty's has been aided by an easing of competitive pressures from The Home Depot, firmer commodity prices in a growing builder market and the continuing growth of the Florida economy.

Many of the factors are reflected in Scotty's gross margins to which the chain has paid more attention, according to senior vice president and chief financial officer Harold W. Taylor. In its third quarter, margins improved to 31.54% from 30.09% a year ago. Through the first nine months of the fiscal year, margins stood at 31.08%, up from 29.88% in the same period a year ago.

"Margins are up quite a bit and there are a portfolio of reasons for that," said executive vice president Dennis W. Stults. "We've done a lot in

(Continued on page 69)

NHCNews Briefs

Industry Update

Ernst completes first retrofit

LYNNWOOD, Wash.—Ernst Home Centers has completed a $200,000 retrofit of its 35,000-sq.-ft. Alderwood Mall outlet here and is holding a "Grand Reopening" promotion beginning June 9, company officials said.

The three-year-old unit is the first in the 69-unit chain to undergo a total reformatting as part of a new corporate philosophy to emphasize big-ticket project sales (*NHCN*, Feb. 13). Overall, the changes introduce warehouse-type merchandising into stores of moderate size.

Officials of Seattle-based Pay 'n Save, Ernst's parent, said that the chainwide revamp program represents the greatest change at Ernst since its acquisition in 1960. The remodeling and remerchandising process will take 2½ years to complete and cost about $200,000 per unit, or $13.8 million.

"The Alderwood unit is the prototype, but there will be some layout variations depending on the individual store," said Vern Netzer, Pay 'n Save's real estate and construction vp.

The Pay 'n Save home center division headed by Bill Boston, division vp, operates Ernst stores in six Western states and three Von Tobels home improvement units in Las Vegas, Nev., which are not included in the format changes.

The reformatting of Alderwood emphasizes service, with customer information booths located in the front of the store as well as in the plumbing and electrical, paint, lumber and building materials and lawn and garden departments.

In the new store configuration, the main aisles have been widened to give customers easy access to key interior departments. Ernst has eliminated sporting goods.

Inside selling floor innovations include the addition of kitchen vignettes and a new home decorating department emphasizing wall coverings. Alderwood has an expanded assortment of big-ticket items such as tub enclosures, windows, doors and water heaters.

Ernst is opening one store this year, in Spanaway, Wash. New stores slated for 1985 and beyond may be designed with drive-thru lumber departments, Erickson said. He added that the Ernst trend is toward the development of "more warehouse-looking facilities."

Paty remodels Virginia store

PINEY FLATS, Tenn.—The Paty Co. held a grand reopening late last month for its renovated 12,000-sq.-ft. store in Duffield, Va. The remodel was the second for the $31 million chain, which plans to retrofit all six of its stores by the second quarter of next year.

"Our major changes were to install narrower gondolas and a race track aisle," said John Kiss, marketing vp for the company. The store follows a prototype developed for the chain's first remodeling job, at its 18,000-sq.-ft. store in Johnson City, Tenn., last year. (*NHCN*, Aug. 15, 1983).

Total lineal feet of the store's gondolas was increased by some 25% to 30%, by reducing their depth from 2 ft. to 1½ ft. This allowed the company to position more gondolas in the same showroom space.

Paty used the additional gondola space to expand its paint and decorative, kitchen cabinet and floor covering departments.

"These departments offer a natural tie-in with our hard lines, because they represent finish work," said Kiss. "They also are attractive to the female shoppers who are becoming more important to the industry."

Although the retrofit was originally scheduled to be completed last year, it was delayed for a variety of administrative reasons.

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Vol. 10, No. 12 June 4, 1984

Claster's cuts distribution center reliance to reduce stock shortage

By Phillip M. Perry
NHCN associate editor

BELLEFONTE, Pa.—Motivated partly by a desire to bring about more dependable in-stock positions at its 12 home centers, M. L. Claster & Sons has begun what company officials call a "crash program" to reduce the volume of merchandise passing through its distribution center. The company is now negotiating with trucking companies and vendors for direct delivery of merchandise to stores.

If the company's program proceeds as planned, only 20% of its merchandise, measured on a cost of goods sold basis, will be moving through the distribution center by the end of this year. Last month, the figure was 40%. A year ago it was 70%.

"We are doing this primarily for a merchandising emphasis," said Jay B. Claster, president of the $24 million home center chain. "We want to take the same dollar investment in inventory that we have been stocking in our warehouse, and put that merchandise into the stores."

In order to facilitate the move, the replenishment function has been shifted from headquarters to the individual stores for merchandise now bypassing the distribution center.

Because the move will bring about deeper stocking at stores, Claster said it will help the company avoid the lost sales and customer frustration that result when stores run out of merchandise.

As a result of the change, Claster's expects to save about 9% of overhead costs that have been incurred, not only for equipment such as forklifts and trailers at the warehouse, but also for the personnel stocking and repicking from the warehouse.

However, the company also expects that its average cost of goods sold will rise by some 7% as a result of the new purchasing system. In dollar amounts, the increased costs of goods sold should about equal the overhead savings, officials predict.

The move by Claster's is coming at a time when truck deregulation, with a resulting decline in shipping costs, has made home center chains less dependent on the rail system, use of which had in the past necessitated moving merchandise

(Continued on page 4)

Housing starts rebound in April after March's foul weather slide

WASHINGTON—Housing starts in April rebounded to a seasonally adjusted rate of 1.96 million units—a 19.3% increase over March's depressed figures, which resulted from bad weather.

Total housing starts soared in spite of a rise in interest rates to 14.11% for fixed rate mortgages, marking the first time in six months that rates have risen above the critical 14% level where consumers usually drop out of the housing market.

The immediate impact on housing has been lessened by adjustable rate mortgages (ARMs), which continue to offer loans at 2% to 2½ percentage points, below the fixed rate loans.

Dean Crist, economist with the National Assn. of Home Builders, saw April as "a period of anticipatory building ready for the spring and summer buying season before interest rates go up." He said that April could well represent a peak in housing starts, with a decline setting in as interest rates rise. Within two months, interest rates on fixed rate loans could be up to 15% with ARM's rising from their present 11.9% to 12.5%, he felt.

Still, for 1984 housing starts could average around the 1.8 million mark.

Volume up

Single-family housing starts rose by 7.3% in April to 1.15 million units, seasonally adjusted. However, being more sensitive to rising interest rates than multifamily units, it is the first time in eight months that single-family starts fell below 60% of all housing.

Single family starts were only 1.5% up from last year's April figure of 1.06 million units, whereas total housing

(Continued on page 70)

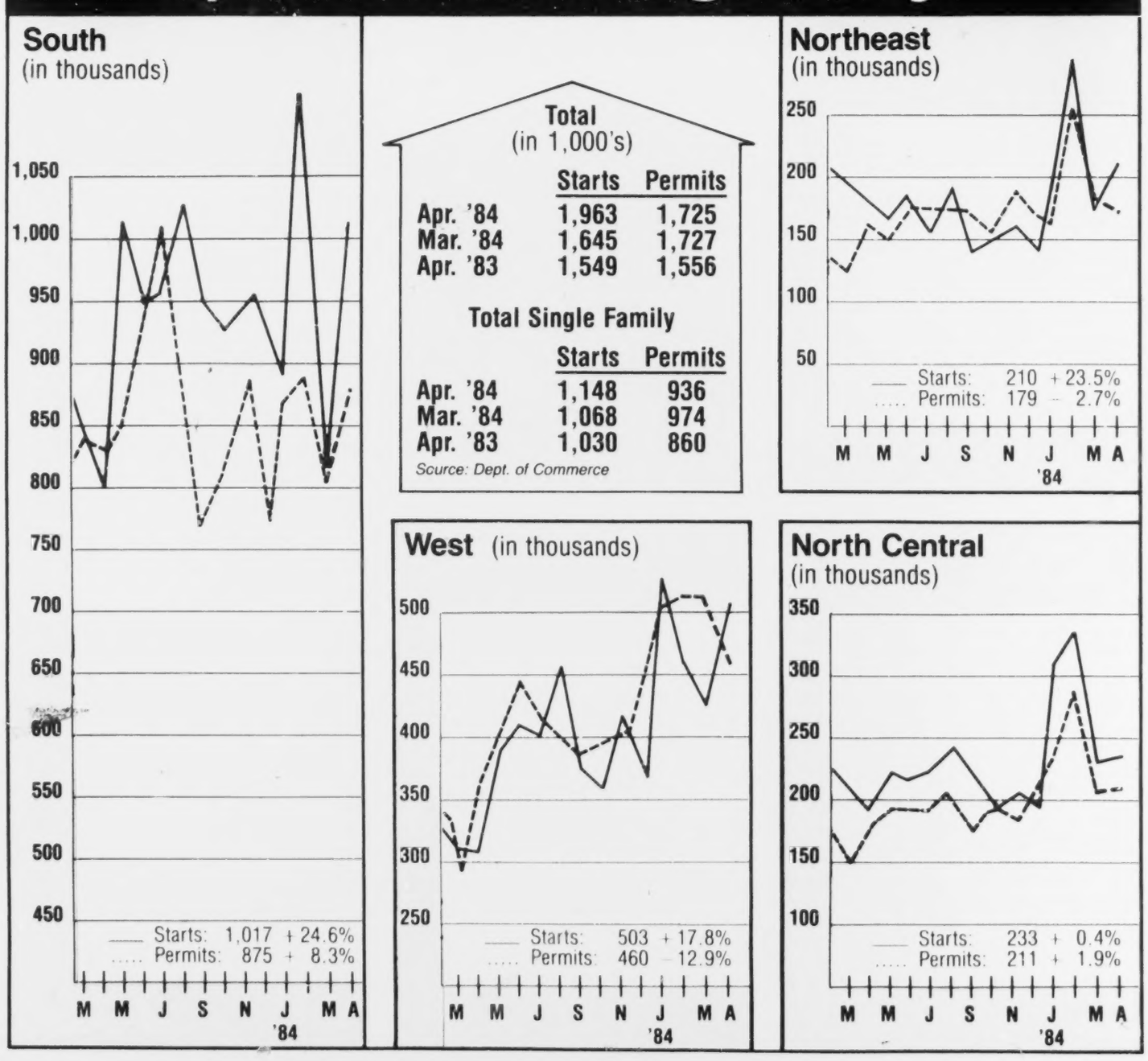
NAHB predicts drop in '84 housing activity for Sunbelt markets

WASHINGTON—While the Sunbelt is expected to again produce a strong housing picture this year, certain markets there will see declines in starts, according to the latest quarterly report by the National Assn. of Home Builders.

The association predicts a decline of 25% from 1983 housing starts for the Dallas-Fort

(Continued on page 70)

April home-building activity



April's housing starts rebounded to a seasonally adjusted rate of 1.96 million units, a 19.3% improvement over March, due in part to better weather. The South remained very strong with 1.01 million units, up 24.6% from the previous month. Total building permits, an indicator of future building activity, increased by 8.3% over March although single family permits fell by 3.9%.

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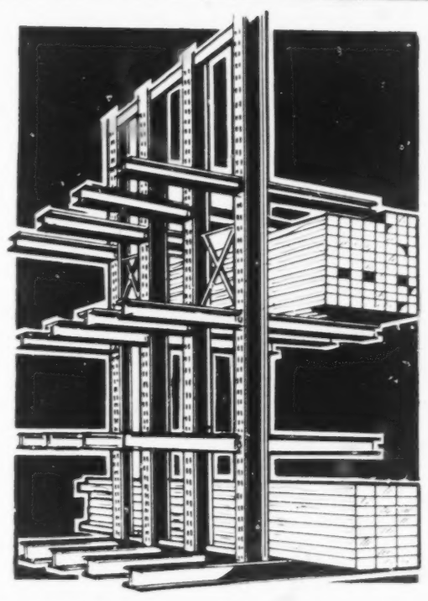

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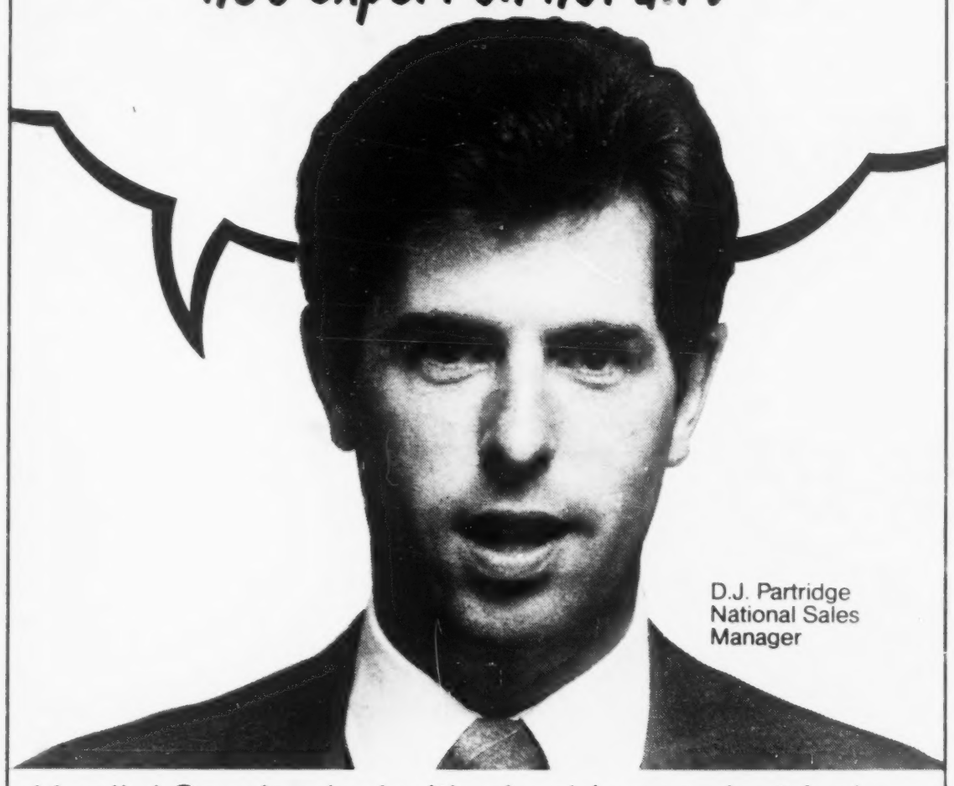

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Grace plans warehouse chain

(Continued from page 1)

warehouse retailing was already apparent in the October 1983 purchase of a 50% interest in Chicago's Warehouse Club, a membership mass merchandiser like Price Club.

When it came to home centers, however, Tutun was reportedly less enthusiastic and initially thought the company should focus its attention on existing operations. Ultimately, he apparently backed Peter Grace's proposal and Bernard Kossar, senior vp of the retail division, was designated to develop a new warehouse home center chain.

Reportedly, Peter Grace's interest in warehouse home centers was also instrumental in the creation of House Works, which was launched in March 1983 to gain a better position in a maturing industry where units of 70,000 to 100,000 sq. ft. seemed to be the format of the future.

W. R. Grace's development of a new warehouse chain may not affect the growth of House Works—with five stores in New Orleans and two around Sarasota, Fla.—because the company regards House Works more as a super store than a warehouse.

House Works evolved from Handy Dan and Handy City, its sister stores in Grace's central region, in an effort to make more productive use of a store's cubic space.

The process has gone full circle as last year about 25 Handy City and Handy Dans were retrofitted with House Works' merchandising. "Another 27 are on the boards this year," according to Daryl Lansdale, president of Grace's central region.

"We recognize Handy Dan and Handy City as traditional home centers," Lansdale told *NHCN* during an interview in his San Antonio office about a week prior to the Grace warehouse announcement. "But it doesn't mean I can't open a House Works somewhere in some market and put a Handy Dan or Handy City name on it and have it be a great store.

"I have what you could classify as a House Works in Beaumont, Tex., but it has a Handy Dan name on it," he continued. "And I have plans for some of those in what you might call flagship stores in major markets that I'm in already."

Edward Tutun, Grace executive vp in charge of the retail division, prior to annual meeting last month where he was elected to the board of directors. During the press conference that followed, Tutun and others revealed Grace's warehouse store plans. NHCN photo

Corrections

Due to a typographical error, a story on page 2 of the May 21 *NHCN* indicated that creditors of Wickes Cos. would receive as much as $500 million if the company were totally liquidated. In fact, if the company were liquidated under Chapter 7, creditors would receive $400 million to $500 million *less* than they are slated to get under Chapter 11 reorganization proceedings, Wickes company officials said.

Due to incorrect information provided by company officials, 1983 sales for American Hardware Supply were incorrectly stated in the May 7 article on buying groups. American's volume for the fiscal year ended June 1983 was $488.2 million, a 10.9% increase over fiscal 1982. Its sales for the 12-month period ended in December 1983 were up 13% to $515.6 million.

The chart with that story inadvertently omitted data for Allied Building Stores in Monroe, La. This dealer-owned co-op did $137.6 million last year, a 28.5% gain over 1982. It has 150 affiliated members (of which about 15 are home centers) and 80% of its volume comes from lumber and building materials sales. Allied ranks eighth among buying groups in volume.

When American Hardware and Allied Building Stores are calculated into the total, buying groups did $5.243 billion in 1983, a 9.5% jump over 1982. Total dealers equaled 25,419.

Tutun, Daniels are named to seats on Grace board

BALTIMORE—Edward Tutun, who heads W. R. Grace's retail division, which oversees the home center operations, was elected to Grace's board of directors during the company's annual meeting here last month.

He was named as part of a program in which top Grace executives serve as directors on a rotating basis. Terrence Daniels, who leads the conglomerate's general development group, also attained a board seat as part of the rotation.

Daniels, 41, was one of the top Grace executives involved with the acquisition of Handy City in 1977, the conglomerate's first foray into the home center industry.

Daniels left Grace in 1977 for Mattel Inc., where he ultimately served as chairman and president of a subsidiary, Western Publishing, before returning to Grace in 1982. He was also chairman of Hal's, the Milwaukee home center launched in 1982 by several former Grace executives.

Tutun, 60, became a Grace executive vice president and group executive of the retail group in January 1983, following the retirement of Robert Anderson. He had previously been a Grace senior vp and second in command of the retail group, which operates more than 500 stores in several businesses. Tutun joined Grace in 1958.

Also elected to Grace's board of directors was Dr. James Frick, 59, assistant to the president of Notre Dame and formerly the university's public relations vice president. There are 30 members of Grace's board.

Claster reduces reliance on its distribution center

(Continued from page 2)

through a distribution center positioned along a rail spur.

At the same time, more vendors than ever before are willing to sell merchandise at quantities usable by individual stores.

"Today, we can get most of what we want by truck," said Wayne Mason, purchasing agent for the company. Trucks can deliver merchandise directly to the stores, making the warehouse largely unnecessary.

Mason added that the distribution center will always be needed to a limited extent, to handle merchandise that either cannot be purchased in quantities that stores can handle, or cannot be stocked suitably at individual stores.

"For example, our stores are not large enough to handle the necessary backup stock of kitchen cabinets," said Mason.

Another factor that contributed to the decision to ship directly to stores, was the delapidated nature, and poor positioning, of the warehouse itself.

"The building is really an old manufacturing plant, with a number of rooms and two floors, that we had turned into a warehouse," said Claster, noting that the configuration was inefficient.

Because of the structural nature of the building, converting it into an efficient distribution center would be impossible.

Additionally, expansion of the building—a necessary step if it were to serve Claster's growth—is impossible because it is surrounded on all sides by either roads or streams.

Mason said that, so far, it has "not been so difficult finding alternate sources" for merchandise.

"The one fear that we have is the availability of trucking," he said. "We did run into some problems this spring."

FINANCIAL NEWS

Payless net declines 24%, sales up 33% in 1st qtr.

KANSAS CITY, Mo.—Lower gross margins and higher interest expense resulted in a 24% decline in net income to $2.6 million at Payless Cashways during its first quarter ended Feb 25, president and ceo David Stanley said in a quarterly report to shareholders.

The earnings drop came despite a 33% gain in net sales and other income to $197.8 million in the period. First-quarter results of 1983 were restated to reflect the pooling-of-interests acquisition of Prime Home Improvement Centers, formerly Hugh M. Woods, Denver, in January.

Gross margins slipped in the quarter to 31.9% from the year-ago 33% level.

"The unusually high 1983 first-quarter margins were due, in part, to favorable commodity purchases in the early part of 1983, which were not repeated in the first quarter of 1984," Stanley said.

First-quarter interest expense also rose from $1.1 million in last year's first quarter to $2.8 million this year, he pointed out.

On a brighter note, he said that the 135-store company recorded lower operating costs as a percentage of sales in the quarter, reflecting the chain's efforts to improve the ratio during 1984. Selling, administrative and general expenses as a per cent of sales fell from 26.4% to 26.1% of sales in the comparable periods.

Still, Stanley said, "We anticipated that net income gains would be difficult this quarter in light of the particularly favorable results of the first quarter of 1983."

Regarding the sales gain, comparable-store volume in the period rose 15% from the year-ago quarter, he said.

The company also completed the three-store acquisition of Wood Bros. Lumber, Tucson, Ariz., in the quarter and announced and consummated the acquisition of two-store Somerville Lumber, Somerville, Mass., in the second quarter.

Payless this year was anticipating opening 19 stores, 12 in new markets including Visalia, Calif., Cincinnati, Lima and Springfield, Ohio, Columbia and Joplin, Mo., and College Station and Longview, Tex., and seven others in existing markets including Mesa and Tucson, Ariz., Denver, Indianapolis, Altoona, Iowa, and Dallas and Houston.

Three Cincinnati units and the Visalia store were expected to open in the second quarter ending in late May.

With the help of these acquisitions and new stores, Payless believes "that this year's sales will surpass, for the first time, $1 billion," Stanley indicated.

Lowe's records 23% sales gain for April

NORTH WILKESBORO, N.C.—Lowe's increased sales by 23% in April to $174.1 million compared to April 1983, officials said.

In the five weeks ended May 4, the 238-store chain's sales to DIYers grew 22% to $90.7 million while sales to professionals rose 24% to $83.4 million. Sales at the 233 stores opened for at least a year by May 4 rose 21% to $171.4 million, according to officials.

More FINANCIAL NEWS on Page 68

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
W. R. Grace	3/31-1st qtr.	$1,497,298	$1,354,115	11	$45,947	$33,111	39
Hines Lumber	3/31-1st qtr.	49,508	47,653	4	(696)	4,949	—
Homecrafters Warehouse	12/31-Year	104,474	66,264	58	838	(250)	—
Michigan General	3/31-1st qtr.	97,874	25,583	283	283	1,088	(74)
Scotty's	4/28-4 wks.	36,560	32,563	12	—	—	—
Southwest Forest Industries	3/31-1st qtr.	174,806	130,525	34	3,441	(6,855)	—
Wolohan Lumber	3/31-1st qtr.	22,191	16,891	31	(313)	(256)	—

*$ in thousands

Source: Company reports

STOCK PRICES

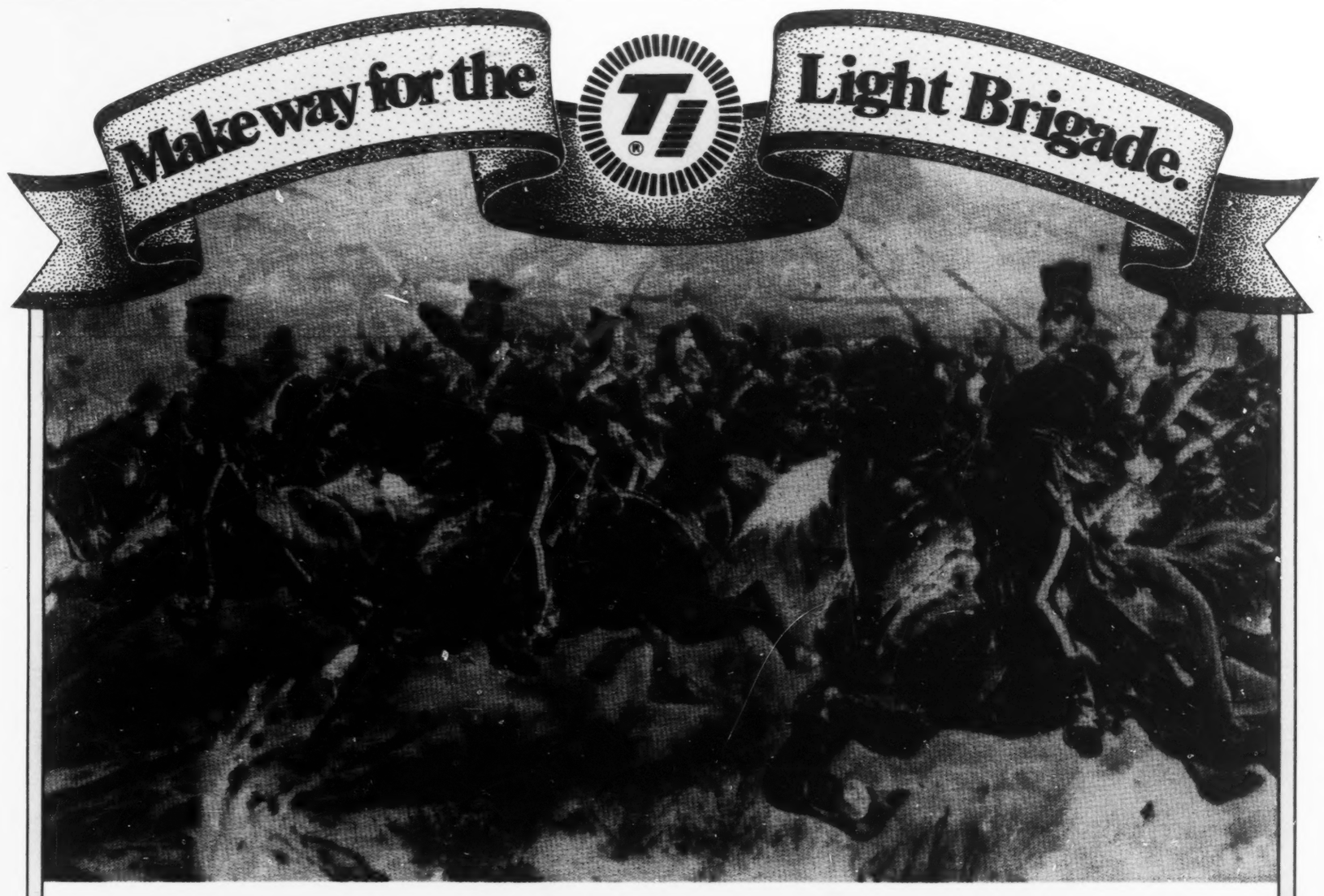
		As of 5/15	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		35⅞	47⅜	34½	14
Edison Bros. Stores (NYSE) [Handyman, Homer's]		39	46¾	35¾	9
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		7	19½	4⅞	—
Forest City (AMEX)	A	15¾	20⅛	12	12
	B	15½	20½	13	11
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		39	50⅜	38⅜	11
Home Depot (NYSE)		19¼	31¾	14	47
Lowe's (NYSE)		19⅞	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		5⅜	14	4⅞	28
Pay 'N Pak (NYSE)		14½	24	12¾	13
Payless Cashways (NYSE) [Furrow]		16¾	34½	15	13
Scotty's (NYSE)		14⅛	19½	13⅛	11
Southwest Forest Industries (NYSE) [Knox Lumber]		15⅞	22½	12¼	—
Standard Brands Paint (NYSE)		19¼	28¾	18	11

Nasdaq—over-the-counter stocks

		As of 5/15	52-week High	52-week Low	P/E Ratio
Color Tile		15¼	25⅛	13⅝	—
Hechinger	A	15¾	24¼	14	—
	B	16½	25	14	—
Pay 'n Save		18	29¼	17	—

Over-the-counter stocks

	As of 5/15 Bid	As of 5/15 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	21½	25¼	16
Hines Lumber	33	—	41½	23½
Home Centers of America [units]	18	21	51½	13¼
Homecrafters Warehouse	13¾	14¼	17½	12½
National Lumber	7	7½	13¼	5¾
Scotts Seaboard [Scott's]	2¾	3¼	5	2
Wolohan Lumber	4½	4⅝	10⅛	4¼



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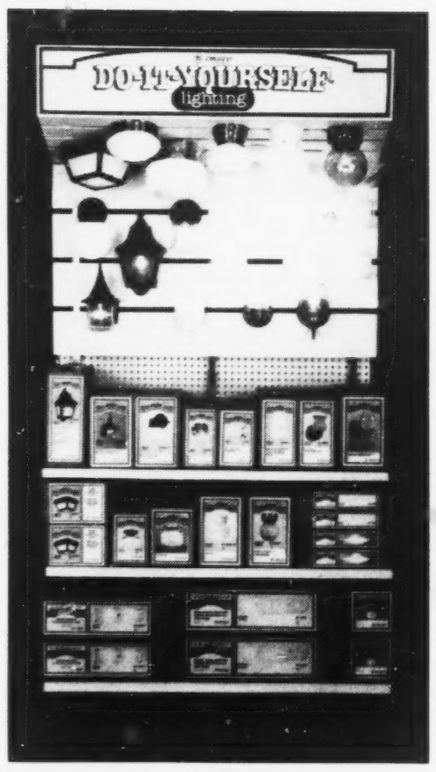

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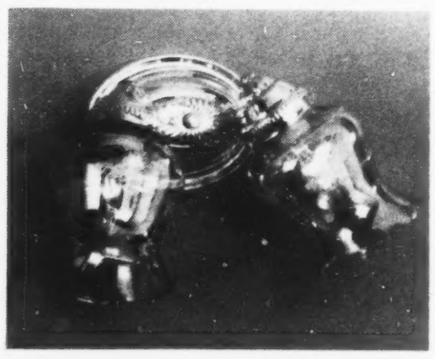

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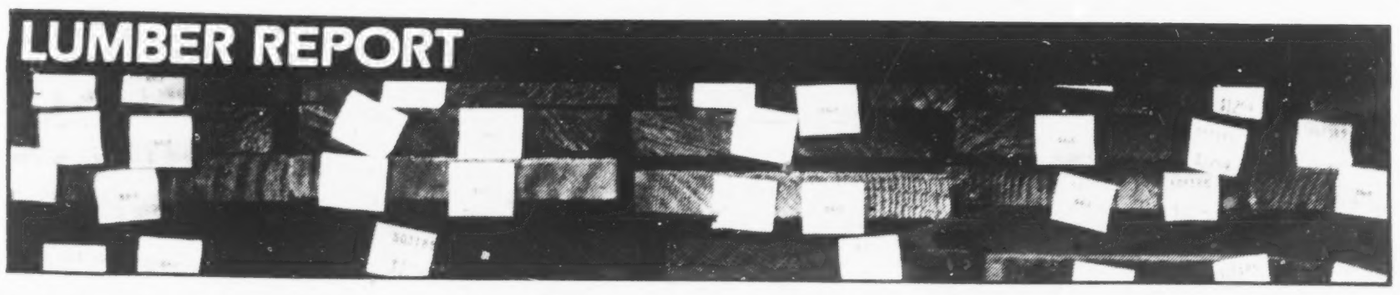


Forest product PAC struggling to meet election year challenges

WASHINGTON—The National Forest Products Assn. is in a financial bind this election year.

The trade group is concerned about a host of bills Congress is considering, legislation that ultimately could affect the economy generally and specifically the business of selling lumber right through the retail channel.

Areas of concern include housing, the Federal deficit, timber contract relief and regulation of the commercial use of wilderness land. The bind is this:

Groups that often oppose NFPA interests, like the Sierra Club and the League of Conservation Voters, spent $225,000 and $1 million, respectively on political candidates in 1982, according to the NFPA, which expects those groups to spend more this year.

So far in 1984 the NFPA's political action committee has raised only $35,000 from its roughly 2,500 individual members, slightly less than half of what had already been contributed at this time two years ago.

The NFPA does not expect that its PAC this year will approach the financial health achieved by some of the PACs it competes against. Rather the 1984 political action goal has been set at $75,000.

Said Alfred Baxter, chairman of the forest products PAC, "We should have the hay in the barn by June or it will be too late."

Baxter, a California lumberman, took advantage of the NFPA's spring conference in Washington early last month to make his pitch to the industry for money.

For one thing, he recommended setting up certain categories of contribution, with generous givers of $1,000 or more receiving the usual rewards for such charity—flattery and a place at the head table.

The importance for retailers of whether or not the NFPA's political action fund-raising strategy works should be clear. In many cases the interests of lumber producers and retailers coincide. If the producers are spending little in Washington to promote their causes, the retailers are spending even less.

It is not certain that the NFPA effort will succeed. There are obstacles: some have to do with the legalities of operating PACs; others are related to the NFPA as an organization. According to the Federal Election Commission, money to the NFPA's PAC must come from individual members. And

(Continued on page 20)

FUTURES

Two weeks ended May 10, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May '84	136.20	125.10	129.80	137.20	629	245.50	125.10
July	154.00	141.00	146.50	155.30	4.684	252.50	141.00
Sept.	161.50	148.90	153.40	162.60	1,518	236.00	148.90
Nov.	161.60	149.40	151.70	161.30	1,273	229.00	149.40
Jan. '85	168.50	157.20	160.00	169.00	275	221.30	157.20
March	173.50	161.00	163.50	173.90	143	220.40	161.00
May	178.50	167.00	168.10	179.00	156	225.00	167.00

Total Contract Vol. (Through 5/10): 32,106 — **Previous Two Weeks: 28,525**
Total Open Interest (As of 5/10): 8,778 — **Previous Week: 9,501**
Cash Price: $134.26 — **Previous Week: $144.06** — **Year Ago: $220.50**

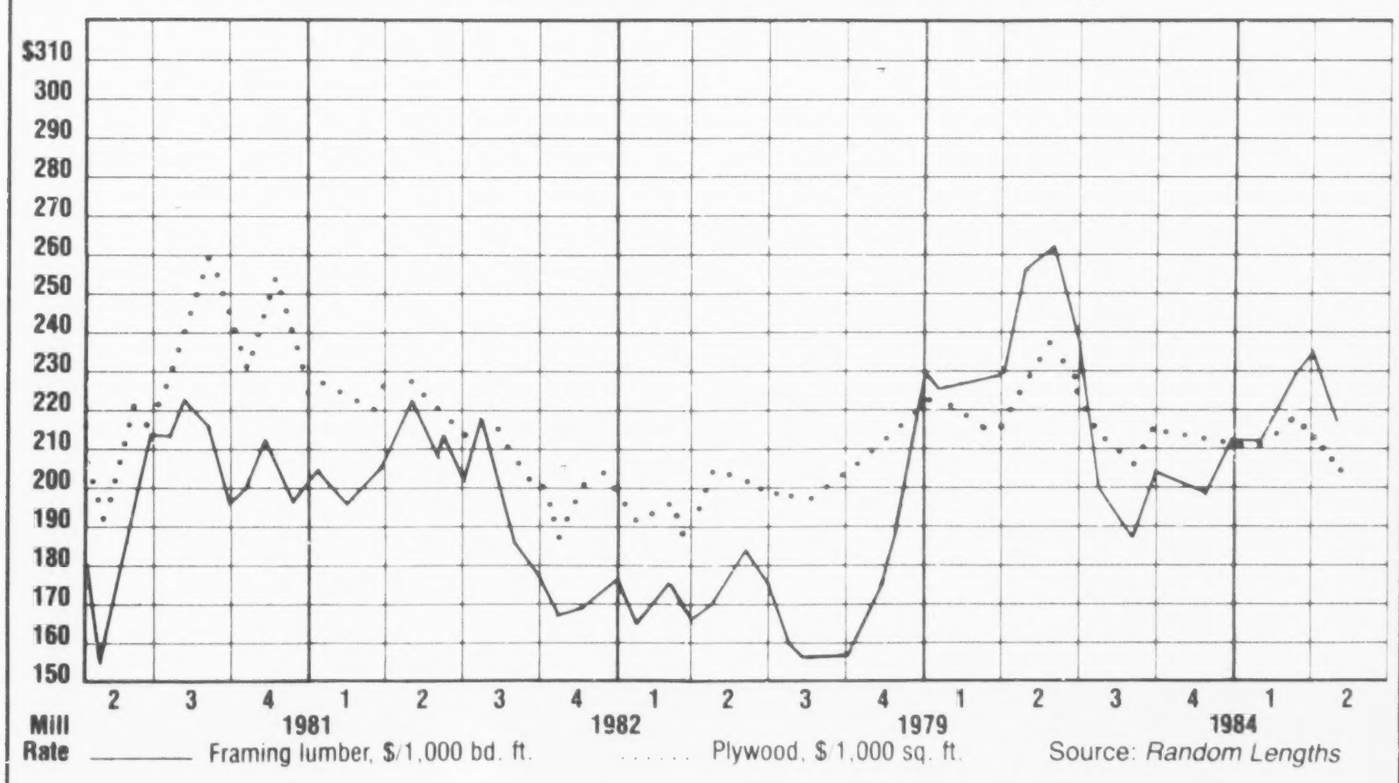
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May '84	174.00	169.00	173.00	174.30	3	208.50	169.00
July	178.00	174.00	177.50	178.40	16	210.00	174.00
Sept.	181.50	177.50	181.50	182.50	6	212.50	177.50

Total Contract Vol. (Through 5/10): 117 — **Previous Two Weeks: 195**
Total Open Interest (As of 5/10): 72 — **Previous Week: 103**
Cash Price: $176.40 — **Previous Week: $179.34** — **Year Ago: $203.84**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	276.7	276.2	249.2

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, May 10.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



Source: *Random Lengths*

Composite prices slipped in April and continued on a downward trend through the middle of May, when Western production cutbacks began, according to Random Lengths.

The lumber composite, which reached $234 per thousand board feet in March, was down to $217 in April. The plywood composite had been relatively flat compared to lumber and dipped to $206 per thousand square feet in April from $214 in March.

Rising interest rates may have played a part in softening the prices but overproduction was probably also involved.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

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LUMBER REPORT

Forest PAC struggles to meet election test

(Continued from page 19)
the company's for which they work must first sign a form authorizing the NFPA to solicit contributions from its employees.

So along with the difficulty of getting people to reach into their own pockets, rather than corporate coffers, there is an added administrative burden.

Also, traditionally, the NFPA has not been as aggressive politically as some other trade associations in housing-related fields. For example, the National Assn. of Home Builders is planning to send 30 to 40 delegates to both the Republican and Democratic conventions this summer.

"There will be housing receptions and caucuses at both conventions," NAHB president Peter Herder told NFPA members during their Washington meeting.

That conference reflected recent changes in the NFPA, which indicate that the organization could be expected to be more vocal on forest and housing and general economic issues in the future.

Members who in the recent past spent their conference in the Nation's Capital discussing, among themselves, the industry and the organization, went to Congress to convey their message.

That change reflects a wider shift in philosophy, organizational structure and management at the NFPA. Earlier this year David Stahl left the top staff post at the home builders trade association to become president of the forest products group.

According to Stahl, the home builder's PAC went from spending $35,000 in 1978 to becoming, "when I left, the third-largest PAC in the United States at $1.2 million."

Stahl's goal for the NFPA's PAC, after attempting to raise $75,000 this year, is to reach $200,000 for the elections in 1986.

Ironically, at the same time it was establishing these goals, the NFPA, for budget reasons, was forced to let five staff members go, including a top housing lobbyist.

The pressure to maintain an effective NFPA PAC is increasing, however, according to Baxter, its chairman. everyone running for office seems to be asking for more money because of the increased cost of campaigning. While the cost of Senate fund raisers was in the $100-to-$500 range several years ago, $1,000 is now the rule.

Stahl added that the maximum contributions allowed under law—$5,000 to $10,000 depending on circumstances—are now often seen by politicians as minimum contributions.

Mitchell Daniels executive director of the National Republican Senatorial Committee, who addressed the NFPA conference along with his Democratic counterpart, underscored the need for an effective forest products PAC.

The conservationists, he said, "are not only effective with their PACs, but enjoy the presumption of moral correctness everytime they speak."

New sawmill, treating and laminate guide published

NEW ORLEANS—A free 32-page listing of sawmills, treating and laminating facilities affiliated with the Southern Forest Products Assn. is now available to lumber buyers.

The 1984 Buyer's Guide includes products, daily capacity, equipment and items manufactured by S.F.P.A.-member mills. For the first time, the 1984 edition lists S.F.P.A.-affiliated treater and laminator members. Treater listings include annual capacity, preservatives and pressure treated products. Laminator listings indicate types of products, finishes and specialty structures. The addresses and telephone numbers of sales managers for each company are also listed.

To obtain a copy of the 1984 Buyer's Guide, interested persons should write to: S.F.P.A., P.O. Box 52468, New Orleans, La. 70152.

Georgia-Pacific buys St. Regis' Mississippi mill

ATLANTA—Georgia-Pacific and the St. Regis Corp. have entered into a definitive agreement under which Georgia-Pacific will purchase St. Regis' linerboard and kraft paper mill in Monticello, Miss., 16 corrugated container plants, related timberlands and cutting contracts, and some current assets.

Georgia-Pacific will pay St. Regis $232.5 million in cash and a $110 million note and acquire St. Regis stock for $124.5 million in cash and $27.7 million in zero-coupon notes from Loews Corp. During a five-year period, St. Regis can take back the stock for extinguishment of the $110 million note.

"We have stated for some time that we planned to add linerboard capacity in the eastern United States where we currently have none," said G-P chairman T. Marshall Hahn Jr. "The Monticello mill fulfills that objective by providing us with modern world-scale facilities and excellent timberlands as well."

Genstar divides into separate divisions

DALLAS—Building materials manufacturer Genstar is dividing its building materials company into two entities, Genstar Roofing Products and Genstar Gypsum Products, officials said.

Genstar Roofing will make Flintkote asphalt roofing and related products while Genstar Gypsum will include the company's Canadian gypsum operations and manufacture Flintkote gypsum products. Each entity will be headed by a separate president to be named later, according to officials.

They said the new organization and alignment will permit better focus on individual product lines, increase manufacturing productivity and enhance customer service.

Preway acquiring Arkla Industries

WISCONSIN RAPIDS, Wis.—Preway, maker of prefabricated fireplaces and space heaters, has signed a definitive agreement to acquire the business and assets of Arkla Industries, the gas barbecue grill subsidiary of Arkla Inc., Evansville, Ind., according to William Thomas Jr., Preway president and ceo.

The purchase, with expected completion date around the end of this month, will include the manufacturing plants and sales facilities of two divisions of Arkla Industries.

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Home center sales shine through rainy 1st qtr.

(Continued from page 1)

those contacted feel that sales over the rest of the year will level off due to higher interest rates and a general exhaustion of pent-up consumer demand.

Still, home center operators are as dependent on weather as the economy is on interest rates. Here is just a sampling of how retailers fared in different parts of the country:

• In the Northeast, where temperatures rose to 7° above normal in February and rainfall from February through April was 20% to 50% above normal, Somerville Lumber reported average sales increases of 25% to $17.6 million over this time last year for its two stores in Massachusetts.

Said Harold Cohen, the company's vice president. "We had mild weather in January and February which helped our sales then. Our spring weather was lousy but business was good nonetheless, so it should be fabulous once outdoor building materials start moving."

• In the Midwest, freak snow storms struck many areas in April. Precipitation rose to 84% above normal, curtailing some sales for the month. Payless Cashways, which operates 139 stores in the Midwest and Southwest, experienced only a 12% increase to $98.1 million in March and an April increase of 16% to $95.9 million.

These are considerably less dramatic than the company's 1983 year-end growth of 43% over 1982. "I doubt we're going to approach that kind of growth this year," said Steve Lightstone, Payless' vice president of finance. "Many of our markets were seriously impacted by the bad weather."

• In the Southeast, where rainfall and temperatures were normal through April, The Home Depot reported first quarter net sales increases of 123% to $95.9 million compared to last year. This figure includes sales from nine stores opened since last year.

Similarly, Scotty's has experienced sales increases. The Winter Haven, Fla.-based chain reports that March sales were up 26% and April sales were up 12% to $36.6 million. But, says Dennis Stultz, executive vice president of Scotty's, "we're already seeing a decline in builder sales which account for one-third of all our business."

• Perhaps most dramatic of all has been the revival of home centers in California after last year's miserable winter. Chandler Lumber, a two-store chain in Van Nuys, Calif., has seen a 97% increase in sales to $14 million in the first four months of this year.

"Weather has had a lot to do with our sales," said E. L. Newkirk, Chandler's president. "The weather last year really put sales off, but even over a two-year period, we're doing well. Sales are up about 50% over 1982."

Some retailers across the country are optimistic that the weather may have only postponed sales in some parts, not canceled them. "April is coming back stronger as proof that people only postponed their purchases," says Ted Tanase, chairman of Seattle-based Lanoga. His company saw a 20% increase in sales in April vs. an 18% increase the preceding three months. However, Tanase plans to increase his company's inventory levels by a paltry 5% despite an anticipated 18% increase in sales this year. Said Tanase, "We are dropping inventory levels because we think the second half of this year will not be as strong as the first half."

Star Lumber, a three-store chain in Wichita, Kan., is also taking a more conservative stance toward the rest of the year, according to Dave Gregory, the company's advertising and public relations manager. Although first quarter sales were up 32%, Gregory foresees only a 15% increase in the company's growth for 1984.

"I expect sales to flatten out as the year progresses," he said. Terry Meek, president of Meek Lumber's eastern division agrees. "Across the nation, the pent-up demand on the part of the market has largely been met."

Meek Lumber, a 19-store chain based in Springfield, Mo., saw first quarter increases of 33%. But, says Meek, "We will be lucky to meet last year's sales from Labor Day on."

Retailers also note that lumber prices are climbing back up to normal levels after plummeting in February through April.

"There has been a lumber oversupply in the last two months," says Brian Fingerle, president of Fingerle Lumber, a $23.4 million two-store lumber chain in Ann Arbor, Mich. "The lumber market hit bottom and is bouncing up now."

Tanase at Lanoga said the drop in prices has posed a problem to retailers earlier this year because they couldn't recoup much profit on cheap lumber. "Lumber is 25% of our business. If the prices come down the way they did in 1982, it will hurt the business because you can't make the same money when lumber prices are low."

Some retailers have had to drop their margins to compete in an increasingly aggressive market. O'Malley Lumber, with stores in Arizona and Texas, has felt the price pressure of Home Depot's arrival in Arizona, according to Paul Conley, O'Malley's assistant general manager at the company's Phoenix headquarters. Said Conley, "There is so much competition here I can't believe it."

Similarly, Rickel Home Centers, a 37-store eastern chain, based in South Plainfield, N.J., has cut margins when it finds itself in direct competition with other home centers. "We have always been extremely sensitive to competition," says Chuck Davis, Rickel's president. "We have approached competition by adjusting our margins."

Worthington introduces industrial sales plan

(Continued from page 3)

nars, dealers are also instructed on billing procedures and terms; differences (and legalities) between verbal and written quotations; when it's correct to substitute one product for another in an order; how to ensure prompt payment and smooth receivables, and how to handle ledger transactions and make sales calls.

Once a retailer is in the program, he can offer accounts an expansive array of products, such as professional cutting tools, material handling equipment, precision measuring tools, industrial rubber products, industrial cleaning supplies and a specialized line of hardware and fasteners, to name but a few of the lines available.

Of the 35,000 stock keeping units Worthington inventories in its new 440,000-sq.-ft. distribution center, about 9,000 sku's are designated "pure, industrial items," although the company, said Fusco, does not differentiate between what is sold at retail and what can be bought by industrial accounts.

While commercial companies can order from a listing of 250,000 industrial products, Fusco felt that as much as 60% of all orders would be filled either out of the participating dealer's existing stock, or from Worthington's distribution center, which it moved into on March 26.

Along with the training and the expanded product mix, dealers also receive a promotional kit that includes in-store signage, ad slicks, store banners, posters and material packets that can carry along on sales calls.

The wholesaler has field reps servicing each store who can assist dealers with any problems they might run into in selling industrial customers. And, for additional product knowledge, Worthington has developed a 36-chapter, 225-page booklet that gives extensive explanations of the products being sold in the program, and their various applications and installation.

Worthington dealers are also given a 1,600-page product information catalog, known as "The Blue Book," which lists all the sku's being stocked at the warehouse, their prices and other information such as delivery schedules, product liabilities and service fees. This book has also served as a marketing tool for some dealers: according to Fusco, one dealer—Martin Brothers Hardware in Wysox, Pa.—has ordered 102 books for various commercial customers, "which indicates what kind of business connections you can make in this program if you're aggressive."

Dealers in Worthington program find initiative key to accounts

NEW CARLISLE, Ohio—When Fred Hess, the owner of Hess Hardware and Home Center here, first signed up to participate in Geo. Worthington Co.'s Industrial/Commercial program last January, he did not realize how different it would be from marketing products to consumers in his store.

"This kind of thing takes some effort," he said in a telephone conversation. "You can't just hand a commercial customer your product book and expect to get his business."

Aggressiveness is key

Hess, like many of the 75 dealers in the Worthington program, has found that dealer aggressiveness and initiative are the keys to developing industrial accounts that will produce ancillary sales for his store. "When we first started in April, I began wondering after the first month 'when is this going to happen for us.' But now we're starting to see some benefits."

Hess said he has set up contacts with motels, schools, churches, and city and county government offices, supplying such things as cleaning supplies, light bulbs, paper towels, high-grade drill bits and so forth. "We just got some of the maintenance business for the rental homes of a local builder."

While Hess Hardware has only written about $2,000 worth of industrial sales through the middle of May, its owner was enthusiastic about the program. "That may not be a lot of business, but it's more than we would have gotten if we weren't in the program. Now industrials know we stock this stuff, and it's easier to sell to them."

Art Fusco, Worthington's marketing vp who supervises the program, pointed to another dealer whose store has increased its industrial business 60%—from $10,000 to $16,000—in one month through stepped up solicitation. He also said that orders of $4,500 to $5,000 per account were becoming commonplace among participating dealers.

Program offers opportunity

He declined to comment on what sales goals Worthington was shooting for in the first year of the program—which is separate from the distributor's 20-person industrial sales force that sells to larger accounts like automobile factories and construction companies—and he would not say what the average sales per client was among dealers.

But he insisted the program offered "opportunities for our retailers even we didn't originally think were out there."

Housing starts rebound in April

(Continued from page 2)

starts were 26.7% above last year's figure of 1.55 million units, seasonally adjusted.

Promising increases

All regions showed an increase over March with the South recording a 24.6% increase to 1.01 million units, seasonally adjusted. The North Central region had the smallest increase, just 0.4%.

Total building permits, an indicator of future housing activity, leveled off in April, to 1.7 million, a 0.1% decline from March. Single-family permits were down 3.7% to 936,000 units, seasonally adjusted.

Only two regions showed an increase in building permits: the South was still strong with 875,000 units, an increase of 8.3% over March, and the North Central region was up 1.9% to 211,000 units. The West dropped significantly by 12.9% from March to 460,000 units.

NAHB predicts housing start drop

(Continued from page 2)

Worth area over the next year. Starts will drop to 847,000 units, but this still accounts for around 5% of total housing starts forecast for 1984.

Houston, is currently affected by an 18% vacancy rate in apartments, which will slow down multifamily starts, and the building of rehab units will cause single family housing demand to slow too. Housing starts are predicted to drop by 21% from their 1983 level.

Denver, currently has an 8% apartment vacancy rate and is being hit by a recession in the mining and energy sectors, thus slowing the demand for housing. This area has the highest predicted decline with a 35% drop from 1983 to 20,000 units.

Florida, however, will see increased housing activity in 1984. Housing starts in West Palm Beach will rise by 33.6%, in Fort Lauderdale by 33.5% and in Miami by 17.9%.

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National Home Center News®

Vol. 10, No. 13 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 18, 1984

Pay 'N Pak Warehouse Outlet storms Hawaii

Low price format lights Island's competitive fire

HONOLULU—The day before Pay 'N Pak's warehouse Outlet opened here last month, the company held a "Kahuna" ceremony in which a local minister tied a Maile plant to the front door of the store and offered a benediction.

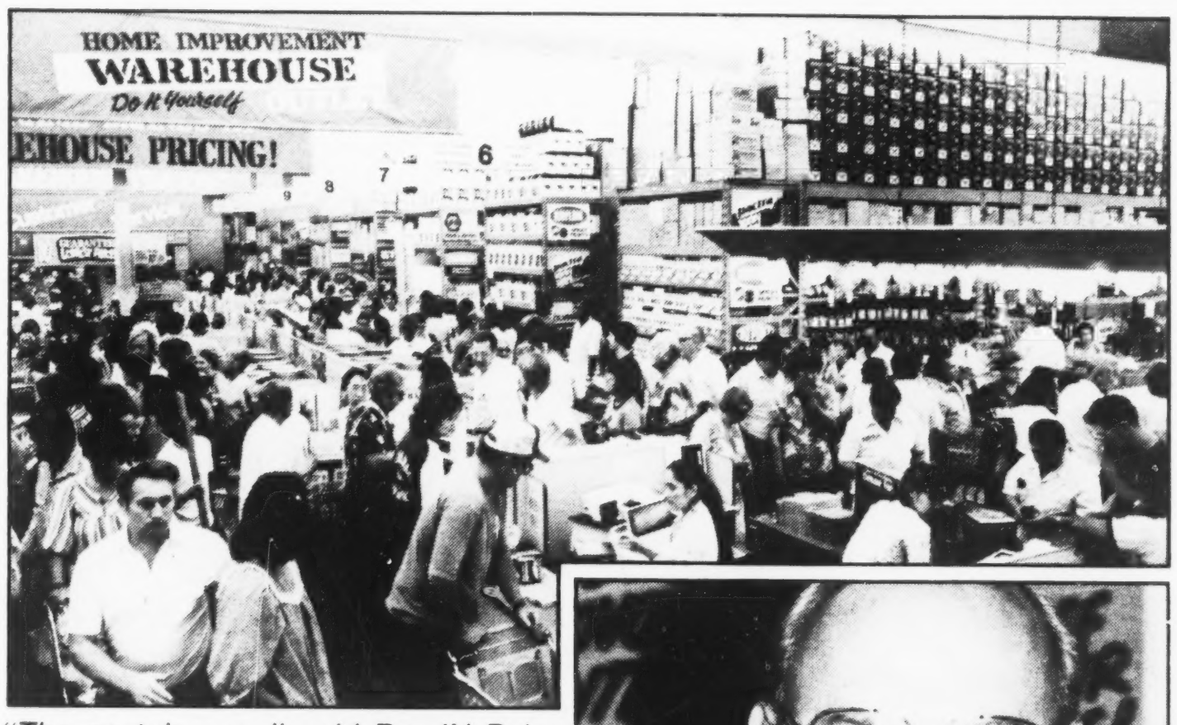
"This symbolism shows that something very special has happened," said the minister, David Kaupu. "The Warehouse Outlet is now part of our land."

It is a land of about a million people scattered over eight major islands, although most of the population lives on the third largest, Oahu.

Building material and hardware sales amount to only $67.5 million annually, according to Sales and Marketing Management's 1983 Survey of Buying Power, which makes the Hawaii market roughly the same in size as Chico, Calif., or Fort Wayne, Ind.

Until now, $27 million of that business has belonged to City Mill, which dominates the Hawaiian home center business with five stores—the fifth opened March 1—and has been operating on the islands since Chung Kun Ai founded a lumber importing firm there in 1899.

Also, there are 116 retailers of "building and garden supplies" in Hawaii, according to the U.S. Department of Commerce, Bureau of Census, including companies like $5 million independent Atlas Building Materials and two-unit Timbertown.



"The party's over," said Pay 'N Pak chairman David Heerensperger, referring to his competitors' price policies. Opening day crowds of over 40,000 people filled the 81,000-sq.-ft. Honolulu Warehouse. NHCN photos

Many competitors assert that it will take more than "Kahuna" incantations to make Warehouse Outlet a success in Hawaii.

"The suede shoe boys from the mainland think this is an easy market, but it's

(Continued on page 50)

Opening day's volume surpasses $300,000; pace set for $1M week

By Brad Altman
NHCN West Coast editor

HONOLULU—Pay 'N Pak launched its 81,000-sq.-ft. Home Improvement Warehouse Outlet here in a spectacular Memorial weekend grand opening that company officials said could reap nearly $1 million in first-week sales.

Opening-day sales surpassed $300,000, with about 10,000 customer transactions taking place from 9 a.m. to midnight, Thursday, May 24. Sixteen cash registers rang continuously as 140 employees worked overtime to handle a throng estimated at more than 40,000 people, some of whom waited 90 minutes in the hot tropical sun for an opportunity to enter the store.

"It's un ---ingbelievable," a weary but elated David Heerensperger, chairman and ceo, said of his chain's 102nd and largest unit's immediate market impact. "It's above and beyond anything we expected, and we expected a lot."

Heerensperger, clad in a beige-and-orange Aloha shirt similar to one worn by all employees, was forced to close the doors at one point to thin out the jammed store. Traffic snarls on Nimitz Highway in the city's Iwilei district in front of the store were causing 30-min-

(Continued on page 50)

Home center nursery departments, like this one at Payless' Visalia, Calif., Lumberjack, are reporting exceptional sales so far this year. But supply shortages are hampering dealers in some parts of the country. NHCN photo

A good-news, bad-news dilemma

Spot shortages undercut strong greengoods sales

By John Caulfield
NHCN senior editor

NATIONAL REPORT—Early this spring, 109-unit Scotty's sold 100,000 azaleas, priced at 99¢ each, in one day during what product manager Paul Blake called "one of the biggest promotions we ever ran.

"But once we sold our first purchase," he added, "there was nothing else left to buy. The shortage of plants in our market has really affected our ability to make larger purchases for promotions."

Scotty's dilemma typifies a "good news-bad news" bind now gripping the home center industry. While sales of live plants and shrubs have been exceptional so far this year, they have been hampered by spot shortages in supply due

(Continued on page 49)

Foxworth-Galbraith purchases foundering 9-store Texas chain

DALLAS—The 55-unit Foxworth-Galbraith Lumber Co. has purchased for an estimated $4 million the remaining nine stores of the W. F. & J. F. Barnes Lumber Co., based in Waco, Tex. The acquisition puts Foxworth-Galbraith into the central and southwest Texas markets for the first time.

The location of the Barnes stores in these markets is what lured Foxworth-Galbraith officials to the chain, which they say has been sliding downhill for the past several years. Nearly all of the Barnes stores, with the exception of its 13,000-sq.-ft. unit in Waco, will undergo extensive remodeling and remerchandising by their new owner over the next several months.

"The chain, when we bought it, was in very bad shape, and its store managers had been working under a ball and chain because Barnes was having cash flow problems," explained Jim Galbraith III, Foxworth-Galbraith's vice president.

Barnes Lumber had a 33% increase in sales last year to $9 million, primarily due to dramatic increases in its contractor business, which accounted for about 60% of its total volume. However, those gains masked its profitability picture, which had been fading for several years.

The chain, a family-owned company founded in 1908, at one time had more than 35 units back in the 1940's, mostly in smaller, rural markets. But as consumers gravitated to urban areas and began shopping in larger convenience stores, many of the Barnes units were shuttered.

By 1977, store count had dropped to 13, and over the next six years, four more stores were closed in Betram, Burnet, Marlin and San Saba, Tex.

Galbraith told *NHCN* that while sales had grown steadily in 1982 and 1983 out of the remaining nine stores, the company suffered net losses totaling $400,000.

"While it [the chain] wasn't approaching bankruptcy, if this situation would have continued another year, the owners would have had to infuse a considerable amount of their own money

(Continued on page 49)

NEWSBREAKS

KNOX LUMBER GOES WAREHOUSE. More than 35% of the fixturing in the Minneapolis chain's new 46,000-sq.-ft. unit in Newport, Minn., is warehouse racking, the first time this has been used extensively in the stores.

SCOTTY'S OPENS THIRD HARDWARE STORE. Earlier this month, the Florida chain held a grand opening in Barton, Fla., for a 6,000-sq.-ft. entry in its string of hardware stores.

INSIDE:

A $1 MILLION SALES WEEK was recorded by Somerville Lumber's flagship store ..... **Page 2**
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NHCNews Briefs

Industry Update

K mart to be Louisville slugger

TROY, Mich.—K mart reportedly plans to open two home centers in Louisville, Ky. The company has struck a deal for three former Cook United outlets, only one of which will be a discount store, *NHCN* has learned.

The stores will not be called The Home Team, a name that was developed for the ill-fated joint warehouse home center venture with Hechinger (*NHCN*, May 21). A list of perhaps 10 alternate names has been submitted for registration. One of the names that had been under consideration, according to several sources, was Builders Square.

K mart's three Chicago warehouse home center openings are still set for September. An exact date could be determined this month.

With The Home Team name now available for use by Hechinger, it is not clear that the 43-store chain will adopt it for its warehouse outlets.

"We're still debating it," said John Hechinger, president.

Also being debated is whether or not to set up a separate warehouse division to run the Hechinger warehouse stores, the first of which is set to open in Raleigh, N.C., in September.

So far Hechinger warehouse store matters are being handled by company executives according to their normal areas of responsibility.

In the meantime, the company's income for the first quarter, which ended April 28, was up 39% to $3.4 million on sales of $64.7 million, an advance of 36%.

Erb opening 140,000-sq.-ft. DC

BIRMINGHAM, Mich.—Erb Lumber, a $137 million chain of 36 home centers, was scheduled to hold a grand opening June 14 for a 140,000-sq.-ft. distribution center in Mount Clemens, Mich.

"The new facility will allow us to provide better service levels to our [21] stores in Michigan," said John M. Erb, vp of retail operations.

The new facility replaces three smaller distribution centers based in the Detroit suburbs. One stocked kitchen cabinets, another windows and a third prehung doors.

Because trucks formerly were loaded with one of the three lines of merchandise, based on the center to which they are assigned, and because the supply of trucks was limited, stock-outs occurred on store shelves when scheduling could not be arranged for units needing the merchandise.

With the new distribution center, however, the same number of trucks will be employed to move all three categories of merchandise to stores assigned by region. Because this arrangement makes scheduling easier, the incidence of stock outs should be reduced, noted Erb.

The $2 million center, construction of which was financed internally, is positioned on 20 acres of a 69-acre plot.

HCA calls in 2.42 mil. warrants

SAN ANTONIO—Home Centers of America, operators of 10 warehouse stores in Texas, has called its 2,420,000 outstanding warrants.

The warrants, which were issued as part of the original stock offering by the company on May 13, 1983, entitled holders to convert each warrant and an additional $5 in cash for one common share in the company.

Home Centers of America redeemed warrants still outstanding after 5 p.m. on June 14 for 25¢ each.

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Vol. 10, No. 13 June 18, 1984

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Somerville shatters $1M week sales mark; sets industry record

SOMERVILLE, Mass.—For the first time in the history of the home center industry, a single store has done over $1 million in sales in a week.

Somerville Lumber's flagship store here rang up a record-breaking $1,014,614 during the seven-day period of May 20 through 26, with volume during May 22 and May 24 exceeding $180,000 for each day. Over the same seven-day period, the company's newer store in Westboro did a more than respectable $385,000.

For the month of May, the two units did $5.2 million in sales, the biggest month in the company's 28-year history. The Somerville unit had $3.7 million in volume for the month, while Westboro's sales totaled $1.4 million.

Through the first five months of 1984, the Somerville store's revenue is up about 20% over the same period last year, and Westboro's sales have risen an impressive 38% compared with the same period in 1983.

At this pace, Somerville Lumber, which since March has been a subsidiary of Payless Cashways in Kansas City, could do close to $60 million out of these two stores this year, compared with $47 million in 1983.

"We always underestimate our potential at Somerville Lumber, thinking our business can't get any larger, but somehow it always does," said company vice president and general manager Harold Cohen.

Prior to the $1 million week, the Somerville unit's weekly sales never exceeded $900,000. "We've been around $890,000, $892,000, but nothing like this," he said.

Two factors worked in concert to produce that week's landmark business. May was the first month in which Somerville ran two ad circulars: one on April 29 and the other on May 20. The latter circular was a lead-in to the Memorial Day weekend, which Cohen said generated "incredible amounts of sales. Our biggest days were Thursday and Friday before the holiday."

Lumber and building materials sales accounted for 43.5% of that one week's overall volume, or $441,357, with bath and plumbing making up 17.9%, kitchens 13.1%, hardware and paint 11.4%, appliances 6.8%,

(Continued on page 50)

Lumber City tossing 'DIY Decathlon'

VAN NUYS, Calif.—Neiman-Reed's Lumber City is gearing up for a major "DIY Decathlon" contest and promotion to raise money for sports charities, prior to the summer Olympics in Los Angeles.

The 12-unit home center chain based in the San Fernando Valley is hoping to raise at least $30,000 to establish a trust fund for young athletes in the area, explained Bob Neiman, Lumber City president.

The decathlon is being promoted with a $25,000 radio campaign and prominent mention in Lumber City's weekly circular distributed to 697,000 households.

Semifinals will take place on July 14 at seven Lumber City locations, with winners of those events advancing to the finals to be held the following day at the Sherman Way Lumber City in Van Nuys. Entrants are vying for a truck and van, each containing $10,000 worth of donated merchandise.

While the bonafide Olympic decathlon is designed to determine the best all-round athlete in 10 track and field events, the Lumber City "DIY Decathlon" isn't quite as demanding.

Contestants will participate in paint brush tosses, putting together PVC pipe, guessing how many nails are in a jar and similar contests.

Neiman said Lumber City is also participating in an officially sanctioned Olympic event—the Olympic Torch program. Lumber City donated $36,000 to the Y.M.C.A. for the right to decide who would carry the torch 12km on its journey from Athens, Greece, to the Los Angeles Coliseum where opening and closing ceremonies are slated to occur. The 12 individuals selected to carry the torch under the Lumber City banner for a distance of 1km each were chosen in a drawing.

April resales hit 3.07 mil.

NATIONAL REPORT—April's single-family home resales topped the three million mark for the second consecutive month, according to the National Assn. of Realtors.

Existing home sales rose by 1.7% above March's already high figure, to 3.07 million units, seasonally adjusted, and reached their highest level since October 1980.

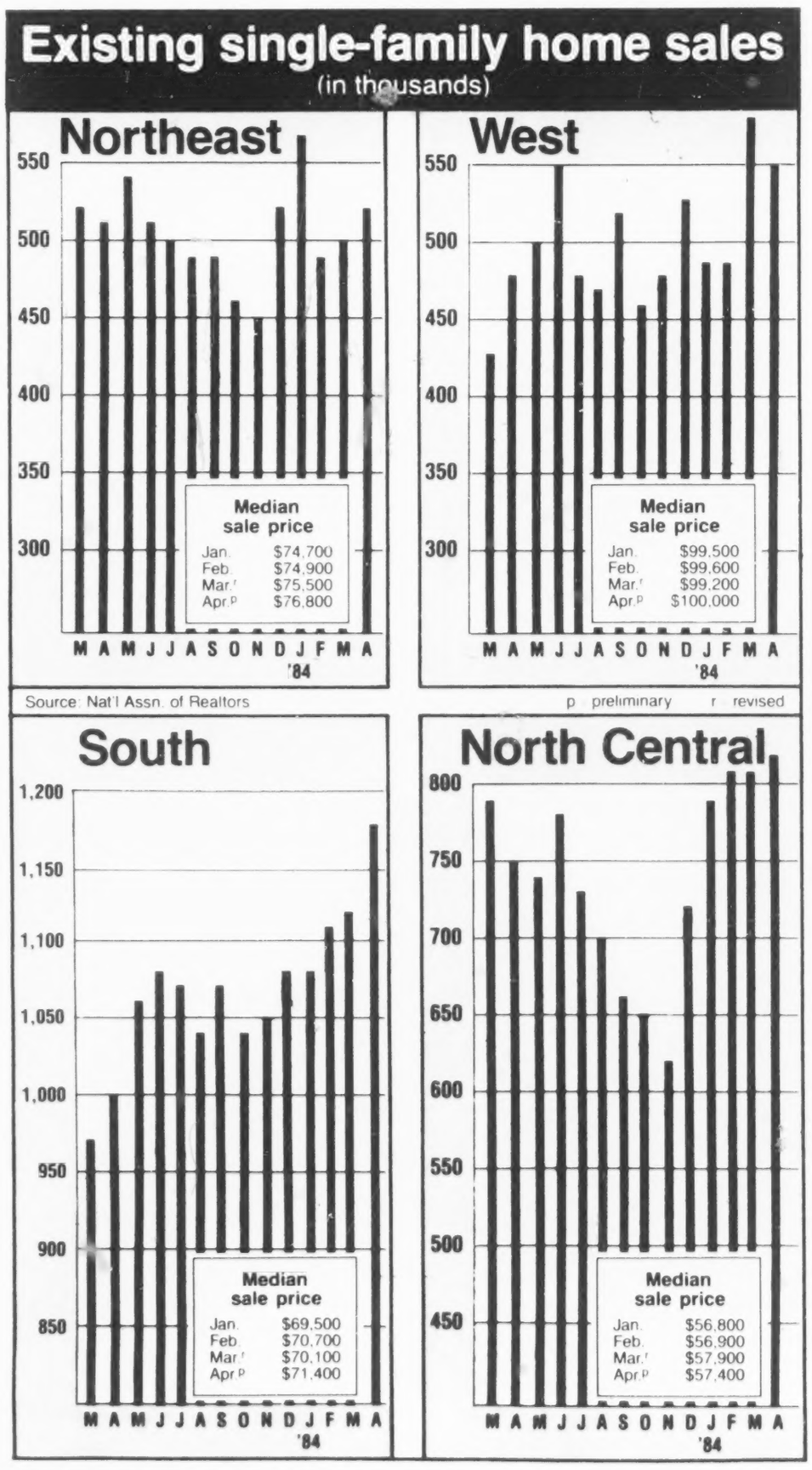
Dr. Jack Carlson, the NAR's chief economist and executive officer, said the home resales figures reflected "a continuing strong demand for homeownership despite high and rising interest rates."

Interest rates for fixed-rate mortgages rose above the crucial 14% level in April, where prospective home-buyers drop out of the market. "Even adjustable rate mortgages [ARM's] which have been taking the sting out of the high cost of mortgage financing now are proving unaffordable for many potential home-buyers." Carlson said.

ARM's have risen from 11% interest rates in February, through 11.75% in March to over 13% in April. This will have a dampening effect on home resales as ARM's accounted for 60% of all mortgages closed in April, compared with 30% for April 1983.

High interest rates were also blamed for the 4.9% drop in new single-family home sales in April. According to the Assn. of Home Builders, resales fell from a seasonally adjusted rate of 667,000 units in March to 634,000 in April.

The median price for a single-family existing home in the United States rose by $400 in April over the previous month, although price rises have been minimized by rising interest rates.



Existing home sales in April reached three million units, seasonally adjusted, the highest since October 1980, according to the National Assn. of Realtors. Home sales in the South were up 5.4% above March figures to 1.18 million units. The median sales price for a single-family home rose by $400 over March.

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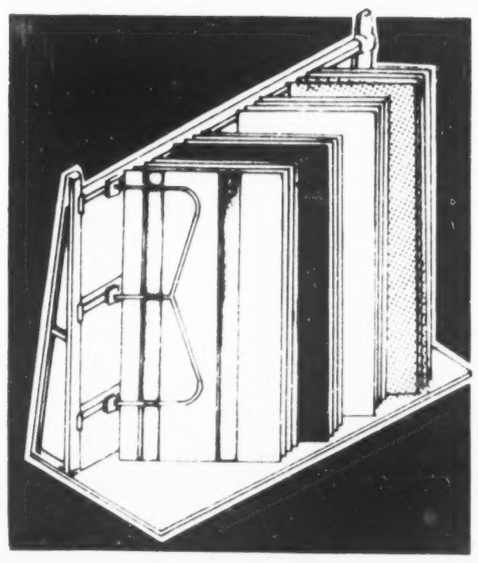

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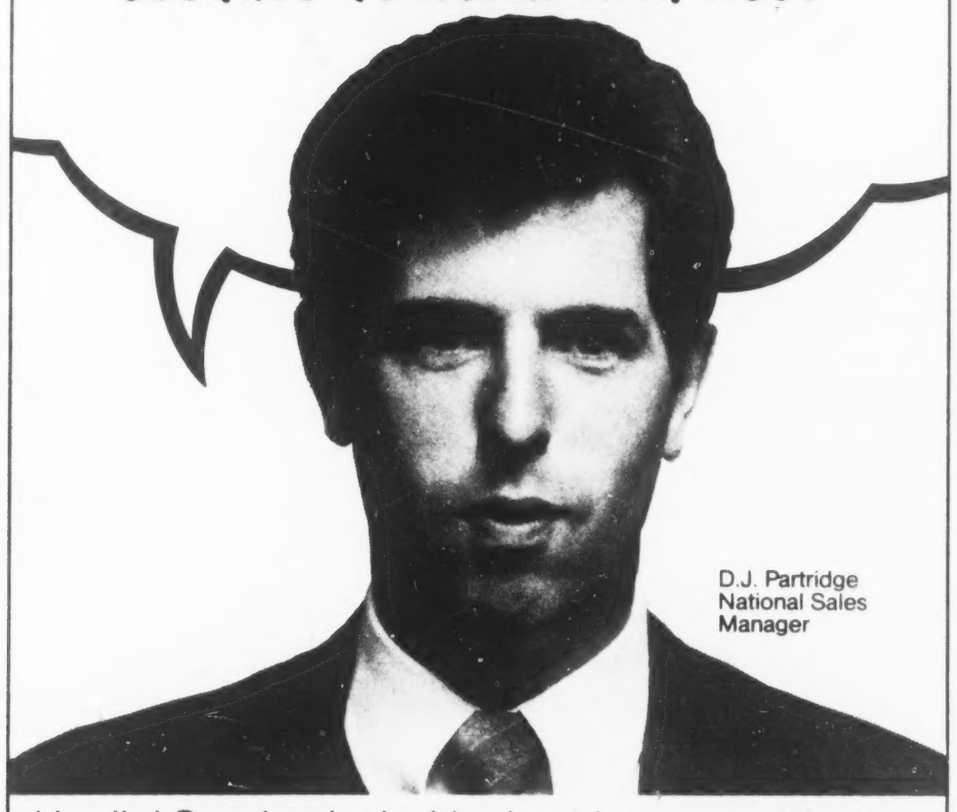

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Manager

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LUMBER REPORT

Retailers to buy cautiously to end of year

Mill production depresses prices despite 2M mark housing surge

By Kenneth Schept
NHCN executive editor

NATIONAL REPORT—The numbers don't add up.

Housing starts climbed to just short of the two million mark in April with 1.963 million seasonally adjusted units, up 27% from a year earlier. Simultaneously, the composite framing lumber price was off about 6% to $217 per thousand board feet and Western s-p-f, a primary building commodity, was down 13% to $165 per thousand board feet, according to Random Lengths.

Indeed, s-p-f prices were off about 25% from their 52-week average price, according to figures compiled by Stotler & Co., a Spokane, Wash., futures trading firm. Southern lumber prices have been somewhat more stable because of demand from treaters.

"This is the first time in my 30 years of kicking around this business that we've had a 1.8 million housing start rate with prices this low," said Gordon King, president of the North American Wholesale Lumber Assn.

Interest rates and economic uncertainty are mentioned as reasons for this unlikely phenomenon. The weather is also seen as a factor since building was rained out in much of the country during early spring. But King and other observers point first to the mills and an oversupply of wood resulting from excess production and an abundance of lumber in storage.

At the same time, buyers are not buying, even at these bargain prices. "There's been an inventory revolution in our industry," observed Phil Chiricotti, futures trader with K & S Commodities, Chicago. "The retailer's become the smartest segment in the industry. He's becoming smarter."

As a merchandising vp at a major home center chain noted, the time to take a major position is when the market swings and sales opportunities are anticipated. Dealers expect good sales for the rest of the year, but most do not expect lumber prices to rebound substantially.

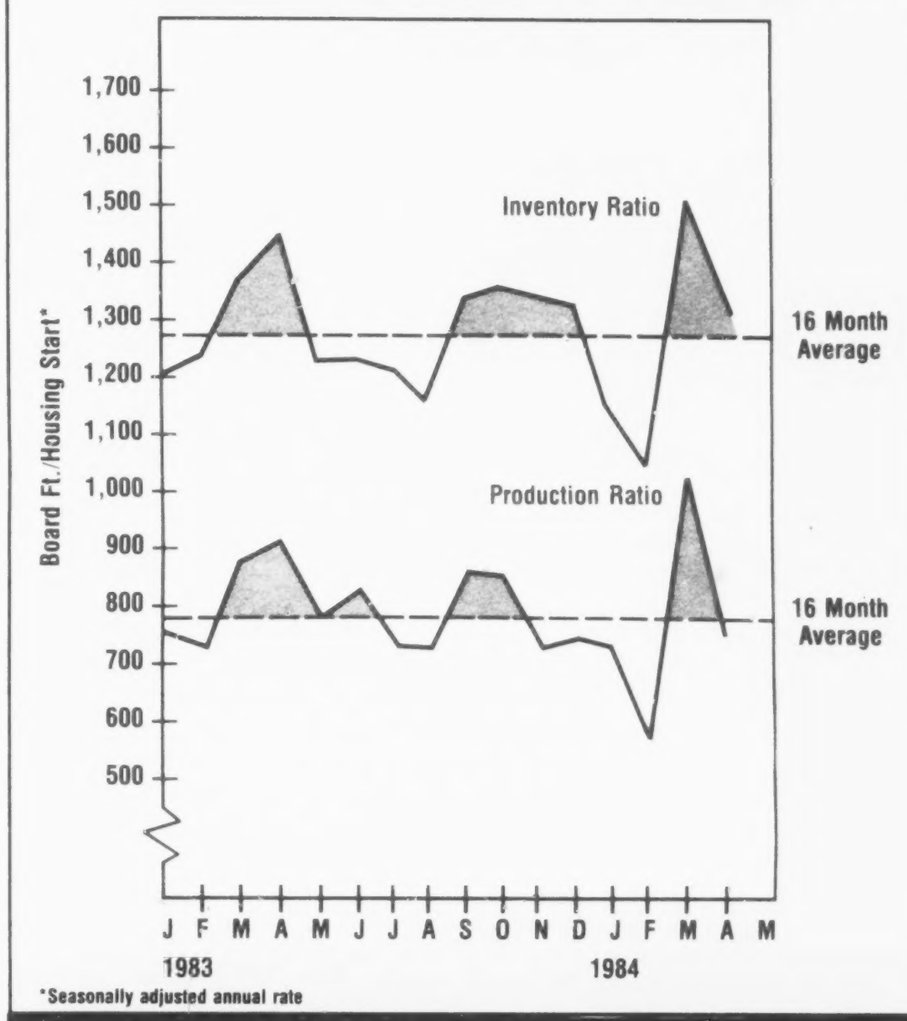
"Inventory now is at a relatively conservative level," said the merchandising vp. "I don't think it is the time for a great deal of speculation.

"We'll keep four-to-five million board feet [of Western wood] on hand, which would last five weeks," said Bob White, West Building Materials product line manager for lumber and plywood. "You just play it for the best number that's out there when you need the wood. With no signs of prices going up, there's no urgency to buy."

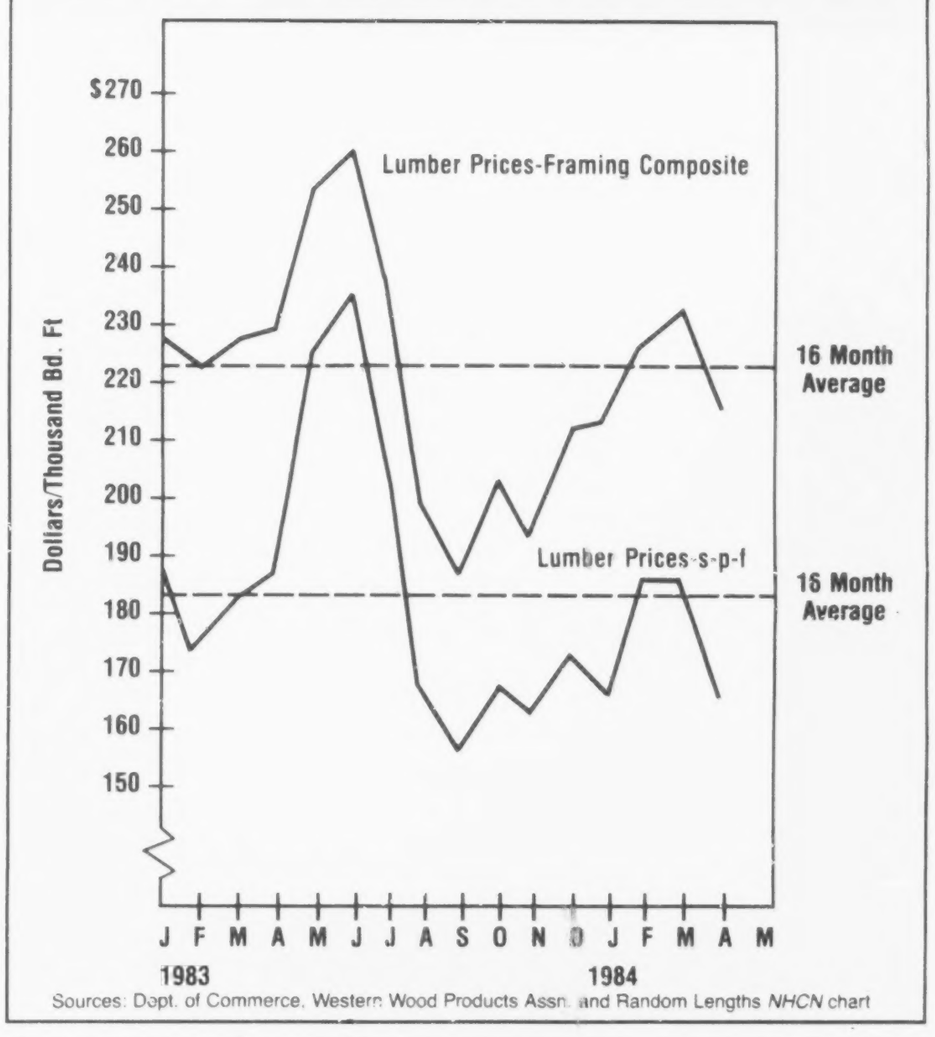
Cautious buying, of course, will not deplete the market's oversupply. So dealer predictions about level prices would well become a self-fulfilling prophecy, although more aggressive customers could pounce if it looks like the market is rising.

"We're generally pretty optimistic," said Frank Robinson, forest products vp of Builder Marts of America, a $400 million buying group. "We know many of our dealers have nice order files with the weather being a real deterrent to getting the wood to the job sites. We expect a nice surge when weather allows them to get the wood out."

Lumber production and inventory rose substantially this spring relative to housing starts, then adjusted somewhat. . . .



. . . But not before creating an excess supply that sent prices plummeting.



Sources: Dept. of Commerce, Western Wood Products Assn. and Random Lengths *NHCN* chart

In the top chart monthly lumber inventory and production are divided by seasonally adjusted total housing starts. The comparison demonstrates this spring's relatively high level of inventory and production relative to starts, although the March spike may be exaggerated because of the unusually severe drop in starts that month. The lower chart compares the framing lumber composite and s-p-f prices to the price average of each during a 16-month period. While the trends are similar, s-p-f prices suffered particularly, while the framing lumber composite reacted more modestly in part because of the relative strength of one of its constituents, Southern yellow pine, which is in great demand for treating.

The market's psychology does not seem right, however, for a major dealer buying spree. "The concern is that there is no depth this year," said Don Zwanzig, a Stotler & Co. futures broker. "The higher mortgage rates killed housing for July and August."

He added, "Until a dealer can see more clearly what interest rates are going to do, he has a lot of reason for concern and would have a lot to justify in taking more than four-to-five weeks' inventory."

Some argue that in the midst of an election year there is cause for optimism, since no Administration measures to slow the economy are likely before November. The Federal Reserve, however, seems to be acting independently of President Reagan's re-election con-

(Continued on page 13)

FINANCIAL NEWS

Evans posts first qtr. loss despite 13% sales gain

MIAMI—Evans Products retail group showed an operating loss of $3,954,000 despite a nearly 13% increase in sales to $175.1 million during the first quarter, officials said.

The company blamed the loss, compared to $1,532,000 in operating profit in the year-ago period, on normal seasonal conditions, an unfavorable inventory adjustment and preopening costs associated with the various conversions to and openings of warehouse-style stores.

Overall, Evans Products had a net loss in the quarter of $26.7 million after a first-quarter 1983 loss of $15.3 million. Company revenues rose 22.4% to $296.3 million.

Evans officials also explained that while they have reduced the company's total debt, interest expense was about the same as the year-ago quarter because of higher applicable interest rates.

Color Tile records 24% net sales gain during third quarter

FORT WORTH—Color Tile recorded a nearly 10% gain in its net profit and a 24% increase in net sales during its third quarter ended March 31 from a year ago, company officials said.

Net income rose to $3.9 million on sales of $79.1 million. Sales for the first nine months of the fiscal year were up 17.6% to $210.6 million, according to officials, who pointed out that the gain was in part attributable to a 15% increase in sales at stores opened one year or more.

The chain was operating 615 stores at the close of the quarter compared to 585 at the end of the same period last year.

Officials also noted that investment of cash funds produced income of just more than $1 million in the quarter compared to $763,000 in the prior year.

The company's gross profit as a per cent of sales in the third period fell to 52.5% from 57.4% last year because of increases in promotions and commercial sales, and the ratio of selling, general and administrative expense to sales dropped to 40.1% from 44% last year thanks to cost containment efforts, officials said. Net interest expense fell 23.5% in the quarter to $893,000 from a year ago.

In the 12 months ended March 31, Color Tile's cash and short-term investments declined more than $11 million to $19.9 million as the company repurchased 1,454,000 of its common shares for $23.5 million and in March repaid a $10 million note that was due in June.

Erb Lumber revenues rise 20% in 1st qtr. but suffers net loss

BIRMINGHAM, Mich.—Increases in sales to both builders and consumers helped Erb Lumber post a 20% increase in revenues to $27.1 million during the first quarter, officials reported.

Lumber and building material sales to builders in southeast Michigan rose 21% from the year-ago period while retail volume grew 10%, officials said.

The company, however, suffered a $379,000 net loss in the period compared to a $218,000 net loss in the first quarter of 1983 in part because of a $909,000 pretax loss at its Florida partnership joint venture, Erb Building Systems. The loss included a reduction in estimated post-tax profits of $176,000 on certain contracts because of increases in estimated costs of work, officials said.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	3/31-1st qtr.	27,059	22,507	20	– 379	– 218	—
Evans Products**	3/31-1st qtr.	175,133	155,304	13	– 3,954	1,532	—
The Home Depot	4/29-1st qtr.	95,872	42,993	123	3,437	1,367	151
Lowe's	5/4-5 wks. 4/30-1st qtr.	174,100 380,300	141,700 299,500	23 27	— 12,700	— 8,700	— 46
Pay 'n Save	4/28-1st qtr.	302,981	255,945	18	1,017	2,823	– 64
Rickel Home Centers	4/28-1st qtr.	68,100	53,833	27	—	—	—

*$ in thousands
**includes sales and operating income from the retail group only

Source: Company reports

STOCK PRICES

		As of 5/29	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		33¾	45⅝	33½	13
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34	46¾	34½	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5⅜	19½	4⅞	—
Forest City (AMEX)	A	15⅜	20⅛	12	30
	B	15¼	20½	13	29
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		37¼	50⅜	36½	11
Home Depot (NYSE)		19½	31¾	14	40
Lowe's (NYSE)		18	32¾	17⅝	12
Michigan General (AMEX) [Diamond Lumber]		5⅛	14	4⅝	27
Pay 'N Pak (NYSE)		14½	24	12¾	13
Payless Cashways (NYSE) [Furrow]		16⅝	34½	15	13
Scotty's (NYSE)		13⅜	19	13⅛	10
Southwest Forest Industries (NYSE) [Knox Lumber]		16⅛	22½	12¼	—
Standard Brands Paint (NYSE)		18	28¾	17⅛	10

Nasdaq—over-the-counter stocks

		As of 5/29	52-week High	52-week Low	P/E Ratio
Color Tile		14⅛	25⅛	13⅝	—
Hechinger	A	14	24¼	13½	—
	B	15½	25	14	—
Pay 'n Save		15	29¼	14⅜	—

Over-the-counter stocks

	As of 5/29 Bid	As of 5/29 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	21½	25¼	16
Hines Lumber	32½	33	41½	25
Home Centers of America [units]	20	—	51½	14½
Homecrafters Warehouse	14	14½	17½	12½
National Lumber	6¼	6¾	13¼	5¾
Scotts Seaboard [Scott's]	2¾	3¼	5	2
Wolohan Lumber	4⅛	4¼	9¾	4⅛

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LUMBER REPORT

Mill production depresses prices despite 2M mark housing surge

(Continued from page 4)

cerns.

Regardless, election years do not typically produce strong lumber prices. As noted by Phil Rogers, Payless Cashways senior merchandise manager for commodities: "In the past four election years, if you chart them, you have pretty level markets."

Most observers feel that the only thing that will turn the market around now is a decrease in mill production. But the mills are making up for ground lost during the recession shutdowns of 18 months ago.

Through April, Western lumber product was up almost 12% over last year to 5.9 billion board feet, according to the Western Wood Products Assn., while inventories rose almost 15% to an average of about 2.5 billion board feet per month. And that is just inventory at the mill. There is a considerable amount of lumber in transit and stored at reload centers, but an accurate account is not available.

The economics of the mills fuel their production momentum. There are bills to pay whether or not a mill is operating, so cash flow needs can motivate a company to produce lumber, even at break-even prices.

Productivity has improved because of harsh lessons learned during the last recession, so some observers claim that the break-even level is sometimes lower now, although others argue that rising log costs wiped out productivity gains.

Furthermore, the booming pulp and paper industry is an eager market for the residual wood chips that result from the milling of logs into boards, although, as NAWLA president King noted, "The tail is not wagging the dog at the moment."

At some point the pressure to support prices by reducing supply will outweigh the above reasons for keeping production at full bore. Some mill slowdown occurred last month, but not enough to create more than a bounce in prices, which could also have resulted from release of April's strong housing start numbers.

The Fourth of July would be a logical time for mills to seriously reduce production by extending the holiday, according to Steve Adams, Western Wood Products Assn. manager of economic services.

Even with some curtailment dealers still plan to buy cautiously however. Abundant supply and faster rail and truck deliveries—the result of deregulation—make it possible for dealers to cover their immediate needs only, since the risk of not stocking long-term inventory is reduced.

"There's too much wood in the system," said a lumber buyer for a $100 million Midwest chain. "We expect to be conservative and see no point in taking a position for the balance of the year."

FUTURES

Two weeks ended May 24, 1984

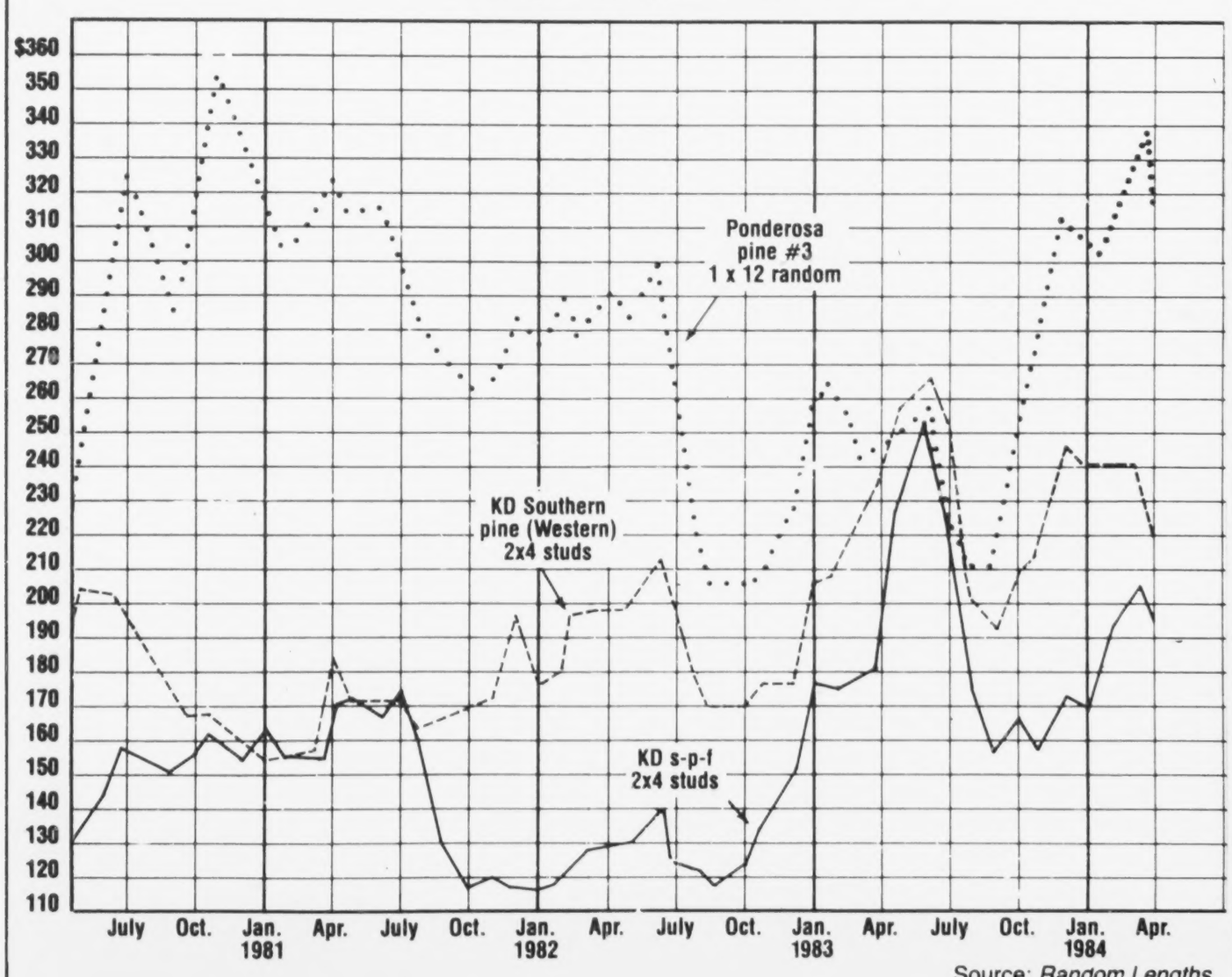
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July '84	159.00	140.70	144.30	130.80	3,684	252.50	125.10
Sept.	169.80	149.50	153.10	165.90	1,511	236.00	148.90
Nov.	171.70	152.00	155.00	167.60	1,401	229.00	149.40
Jan. '85	178.30	159.50	162.30	173.50	336	221.30	157.20
March	183.50	166.00	166.00	178.50	173	220.40	161.00
May	186.50	170.00	170.00	181.50	147	225.00	167.00
Total Contract Vol. (Through 5/24): 31,447					Previous Two Weeks: 32,106		
Total Open Interest (As of 5/24): 7,431					Previous Week: 8,124		
Cash Price: $147.00			Previous Week: $148.96		Year Ago: $235.20		
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May '84	189.50	189.00	189.50	189.50	0	208.50	169.00
July	198.00	176.00	179.30	194.00	65	210.00	174.00
Sept.	Nominal		183.30	196.50	3	212.50	177.50
Total Contract Vol. (Through 5/24): 21					Previous Two Weeks: 117		
Total Open Interest (As of 5/24): 68					Previous Week: 68		
Cash Price: $188.16			Previous Week: $183.26		Year Ago: $209.72		

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	284.2	283.0	250.5

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, May 24.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Lumber prices fell during April, the victim of mill overproduction, ample inventories throughout much of the system and cautious dealer buying.

Ponderosa pine #3 boards dipped to $309 per thousand board feet, while Southern pine studs fell $19 from March to $221 per thousand board feet and Western s-p-f studs sold for $185 per thousand board feet, a drop of $16 from March.

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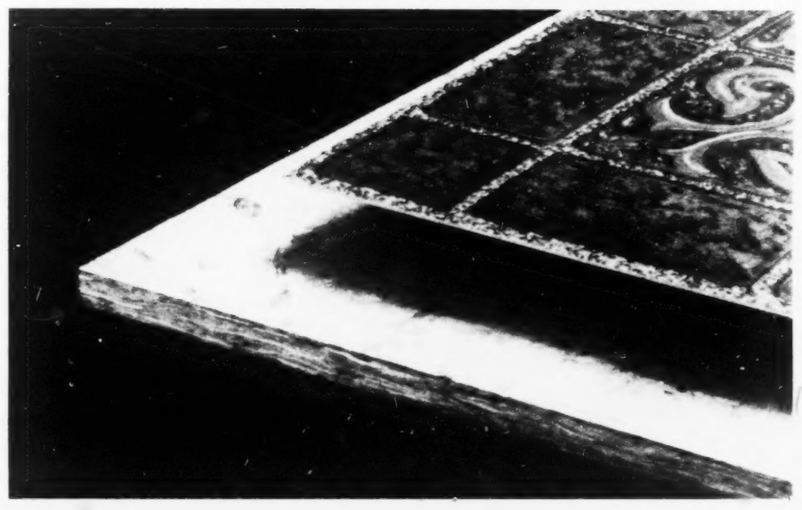

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National Home Center News®

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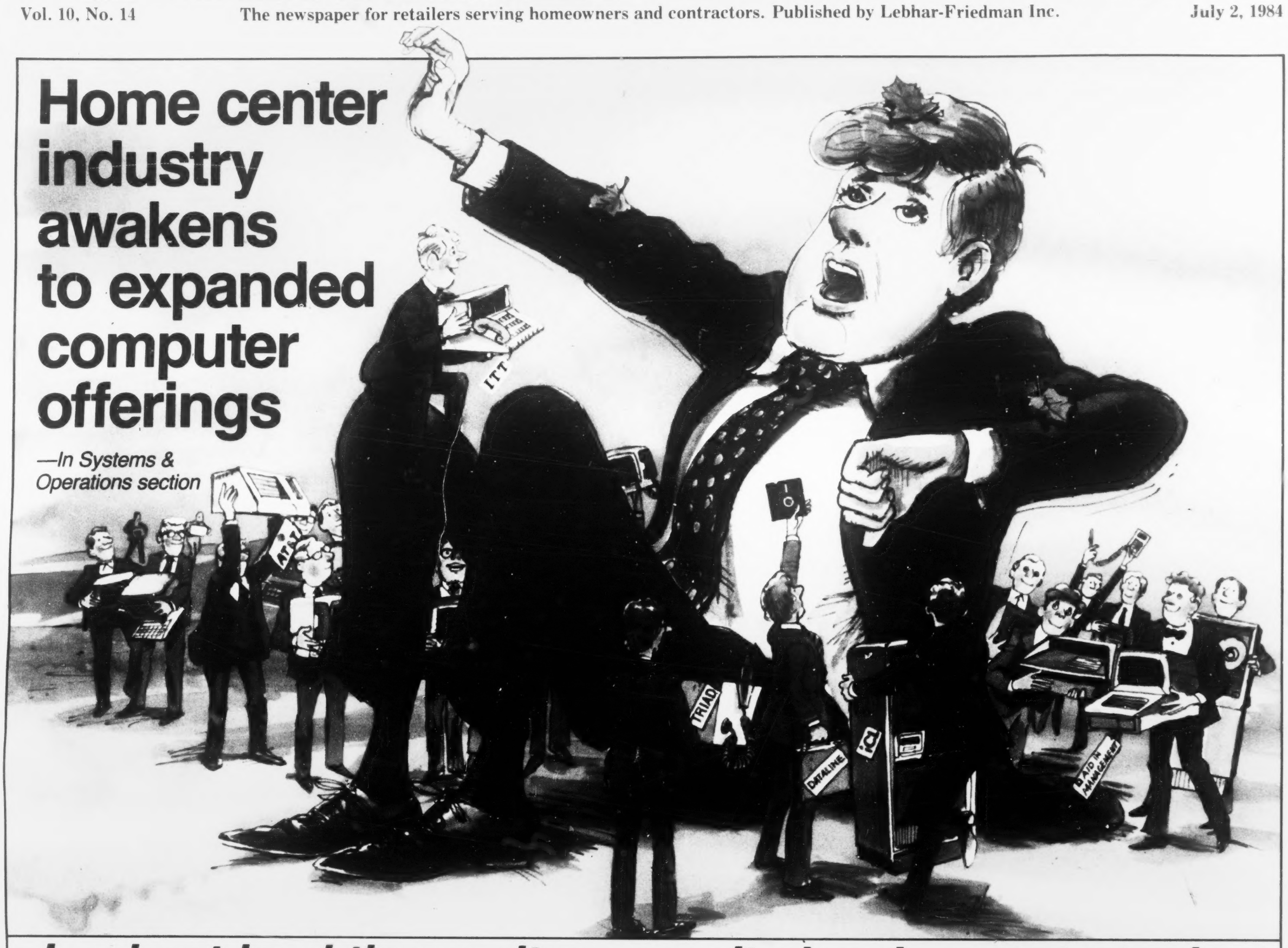
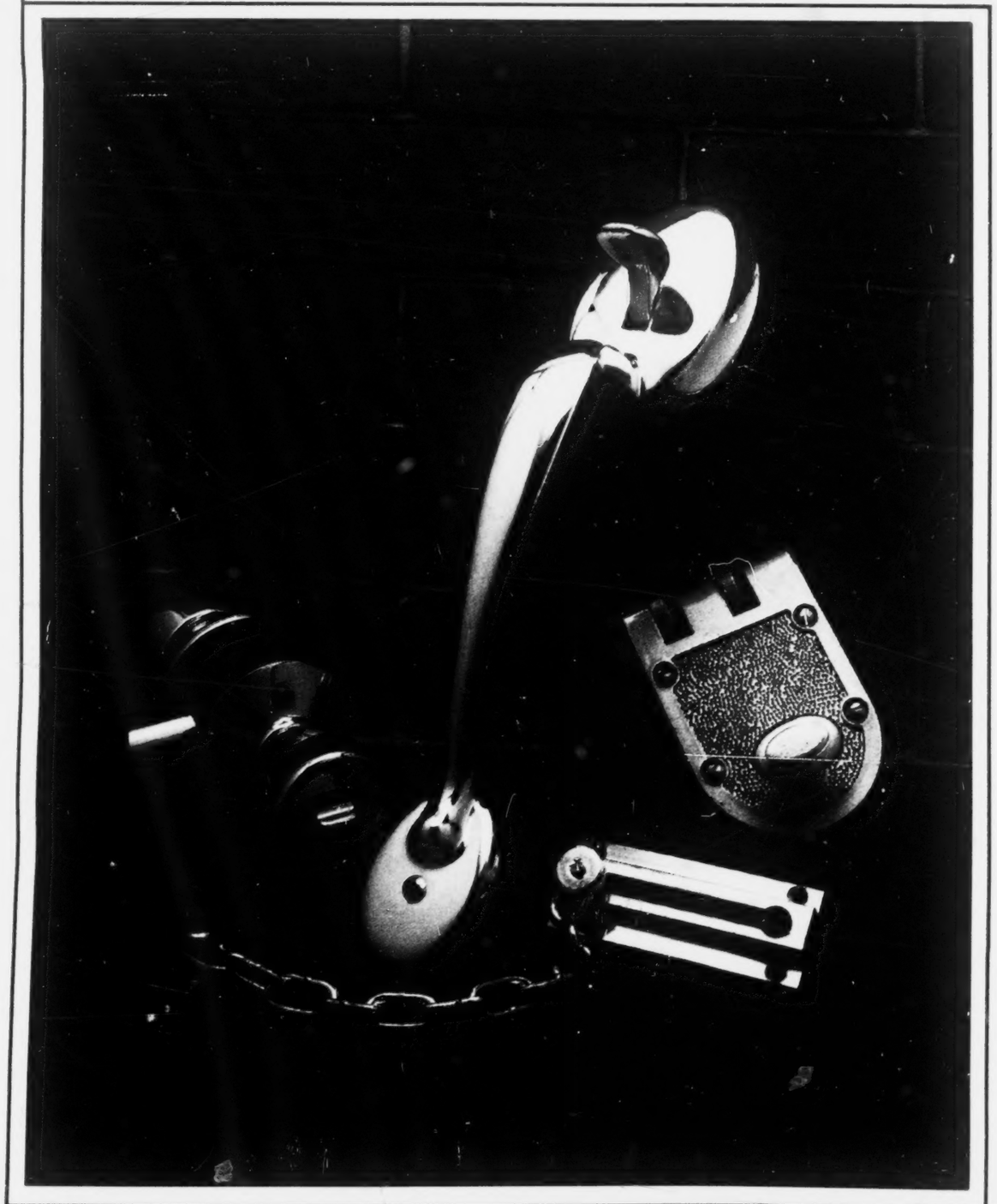
Home center industry awakens to expanded computer offerings

—In Systems & Operations section



Lockset lead times alter security hardware strategies



Demand from housing construction has forced home center buyers to turn to multiple vendors to protect in-stock positions. Also, *NHCN* looks beyond standard security products, such as locksets and deadbolts, toward the next major home security trend: electronic systems. —In Merchandising section

New Orleans: The warehouse impact

A year after becoming the nation's first warehouse home center battlefield with five House Works and two Home Depots, both chains are talking about adding more New Orleans stores. Their clash awakened the competition and spurred total market area sales. —Special Market Update

New players join mortgage financing

Mortgages originated this year could reach a record $300 billion. The increased availability of home financing is expected to provide stimulus for continued housing and home improvement activity as more companies get into the mortgage business. —Page 3

Knox TV ads take comic twist

With the competition shouting price in its TV ads, Knox Lumber took a different approach—humor. The St. Paul, Minn., company teamed up with its ad agency to create a series of ads stressing image over price. —In Advertising & Marketing section

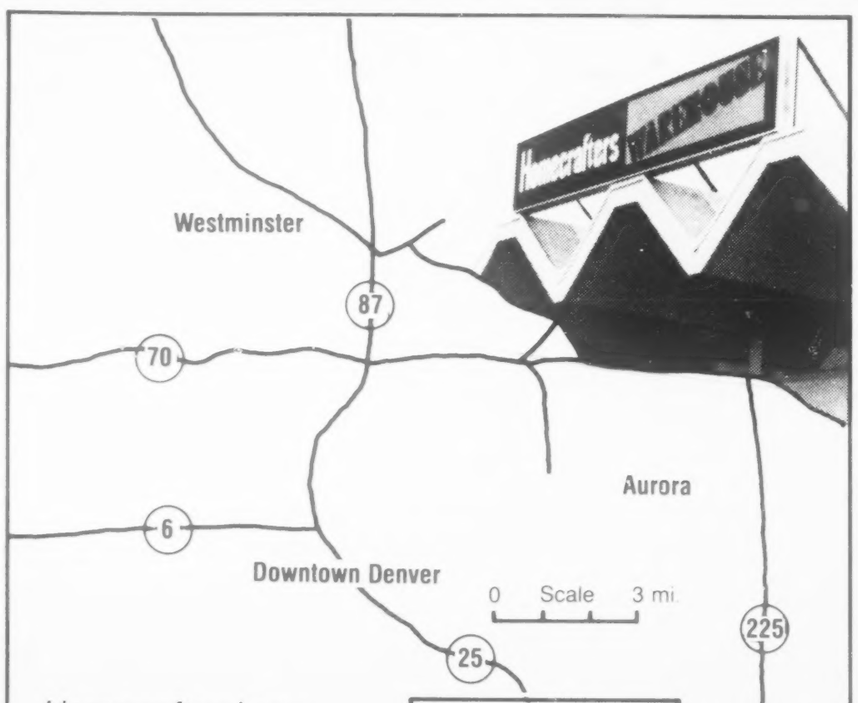
Scotty's installing on-line network

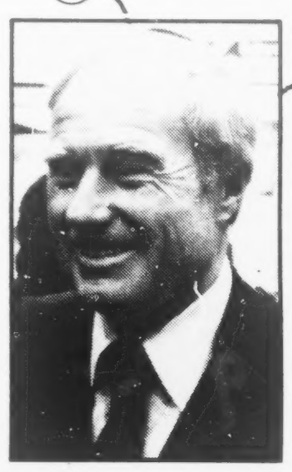
Scotty's expects to see more timely and accurate management information as distant stores are linked with one another and with company headquarters through a new communications system. —In Systems & Operations section

MERCHANDISING FEATURE:
Security hardware-pp. 22-27

National Home Center News®

Vol. 10, No. 14 — The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. — July 2, 1984





Homecrafters' second Denver area store in Aurora to open this summer, joining a recently opened warehouse unit in Westminster, a northwest suburb. Chairman Georges Hanzi sees Denver as a "four store market" for his chain. NHCN photos; map

Denver, Nashville test for Homecrafters' whse

PELHAM, Ala.—Homecrafters Warehouse will be busy this summer as it opens three more warehouse home centers in two new markets over the next 60 days.

A 75,000-sq.-ft. former Woolco unit in the Dickerson section of Nashville will become the company's fifth warehouse style unit on July 19, in Homecrafters first foray into this market.

A second Nashville store, at One Hundred Oaks shopping mall, is being enlarged to 75,000 sq. ft. and is scheduled to open by the end of this month.

In addition, the company is currently building 18,000 sq. ft. onto a 58,000-sq.-ft. former Woolco in Aurora, Colo., and plans to have that unit completed and ready for business by early August. It will join Homecrafters' other store in the Denver market, a 79,500-sq.-ft. site in the northwest suburb of Westminster that opened on May 17.

The Westminster store's first four sales days, Thursday through Sunday, were in excess of $300,000, which company chairman Georges Hanzi called, "very gratifying."

On the basis of that store's performance in its first few weeks in operation, and with the prospects of continued population growth throughout Colorado, Hanzi said that Denver is being eyed by Homecrafters as "a four-store market."

(Continued on page 44)

Grace buys 35-store Ole's to solidify So. Calif. stance

By Kenneth Schept
NHCN executive editor

PASADENA, Calif.—W. R. Grace has acquired Ole's Home Centers, the 35-unit chain located here.

The deal is the first home center acquisition since 1980 for Grace, whose home centers last year generated sales of $1.02 billion.

Ole's, a private company with sales last year of about $215 million, will join Angels, Orchard Supply and Cashway in Grace's home center Western region.

The deal will solidify Grace's position in the billion-dollar-plus southern California home center market, the hottest in the nation. Ole's has 29 stores there, where Angels operates 15.

Reportedly, at least several Angels units will be converted to Ole's, which recently completed a chainwide remerchandising effort that included raising gondola heights and installing warehouse racking to create a superstore format.

The deal was closed for an undisclosed amount of cash. Harvey Knell, president of Ole's, which was founded by his father Max, is expected to assume a major role in Grace's Western region.

Ole's had reportedly been courted in the past year by at least one other company. Negotiations with Grace were a closely held secret. Employees were notified of the transaction on June 14.

Grace had once before explored the possible purchase of Ole's, during the heyday of the conglomerate's home center acquisition period (*NHCN*, June 6, 1977). Those talks fell through. Earlier this year Ole's failed in its attempt to buy a southern California competitor, Neiman-Reed's Lumber City (*NHCN*, Feb. 13).

Outside of that market, Ole's operates three stores in northern California and three in Las Vegas.

For Grace, the acquisition comes a month after the company announced plans to launch a warehouse home center chain.

Grace entered the home center industry in the mid-1970's with the purchase of Handy City, followed by its acquisition of Daylin and culminating in 1980 with the purchase of Cashways, El Paso.

At one point Grace's home center holdings were made up of eight separate operating units. In 1980, however, Grace's acquisition fervor ended. Since then, the conglomerate has concentrated on consolidating and digesting its home center chains as well as on providing them with capital for growth.

HomeClub's discount warehouse bids for $150M Las Vegas market

By Brad Altman
NHCN West Coast editor

LAS VEGAS—HomeClub, the first discount warehouse home center to establish a foothold in this desert gambling mecca, was expected to ring up $2 million within 30 days of its May 31 grand opening, according to company officials.

The home center got off to a brisk sales pace after its mid-week debut in a 118,000-sq.-ft. converted Woolco at 1720 E. Charleston Blvd., northeast of this city's glittering casinos on the famed Strip.

The arrival of HomeClub here marks the third outlet for the Long Beach, Calif.-headquartered chain, launched last October with its initial two southern California units. Four more units are scheduled to open by the end of this year, all in California.

HomeClub's debut here was accompanied by a three-week multimedia advertising campaign designed to reach the area's 199,500 households.

"This is a major market," said Robert McNulty, president and ceo. "Las Vegas does $150 million a year in home improvement sales—we just need 20% of the market and we will be there [profitable]."

The first-year sales goal here is $22 million, NcNulty said.

This Nevada market is historically "high-priced," he added, noting that such chains as Payless Cashways, Ole's, Pay 'N Pak, Samons and Ernst (operating Von Tobles) are represented.

HomeClub is aggressively

(Continued on page 42)

NEWSBREAKS

TRIANGLE IN ALLENTOWN, PA. Triangle Home Centers recently broke ground on its fourth store here, a 60,000-sq.-ft. unit to be opened by Nov. 1 that will fill out the Lehigh Valley market for the chain. This store will also represent the first time the chain doesn't separate its warehouse from its selling floor.

INSIDE:

LOWE'S FIVE-VOLUME, 488-PAGE 1983 annual report is as entertaining as it is informative ..... **Page 6**
HOME CENTERS OF AMERICA FILES $30 million restraint of trade suit against W. R. Grace 7

Price cutting deals lower margins to decks

By Greg Puchalski
NHCN senior editor

NATIONAL REPORT—DIY dealers are continuing to capitalize on a booming deck market with increased sales in the category again this spring and summer, but they are finding that increased competition for those sales has been a major factor in making treated lumber and decks less profitable.

In order to reclaim some of the shrinking margin, many dealers, especially independents, are offering special services to draw deck customers and to escape from some of the price competitiveness.

"The philosophy behind decks initially was to realize improved margins by selling a package rather than selling individual items," related Dave Basner, a lumber buyer at Wolohan Lumber, Saginaw, Mich., "but due to the competition now, this isn't true any more. Your basic flat deck once got 35% to 40% margins, real good for lumber, but now treated lumber is more of a commodity item than it was five years ago."

Margins on treated wood are now more like 25% to 30%, Basner said.

Two-unit Western Home Centers in the Cincinnati area has experienced the same margin tightening. Purchasing director Herman Dornbusch said margins for treated lumber and decks once were about 33%, "exceptional for a construction item," but now the margins are only about 28%.

"More people are into treated lumber," explained Busy Beaver lumber buyer Dave Coleman. "Most things in lumber have done that. Landscape timbers were the same way. One guy gets into them, does well and everyone gets into them."

Dan Nikolich, advertising director at Edward Hines Lumber, Chicago, cited treated lumber and decks as one of the competitive areas in his market. "Everybody's slugging away," he noted.

However, as with other dealers, Hines has found a way to escape some of the price competitiveness in decking.

"A couple of years ago, we decided to go with service and a quality product for our decks," Nikolich said. "We use Pon-

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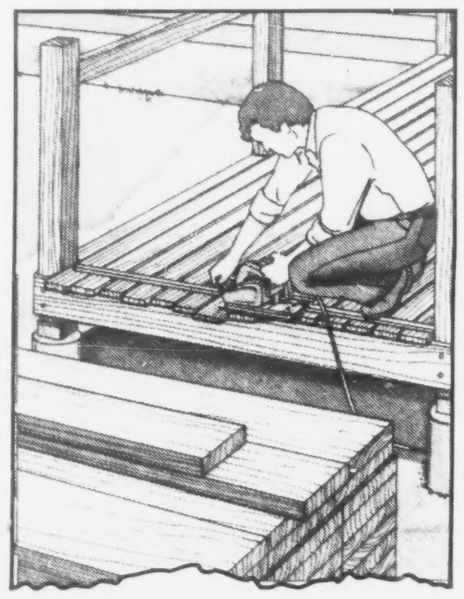

A Grossman's tab promotes DIY treated wood decks with this line-art drawing.

NHCNews Briefs

Industry Update

Channel enters Baltimore market

PARKVILLE, Md. — Channel Home Centers debuted in the Baltimore market with the grand opening June 28 of a 53,000-sq.-ft. store here.

The new store, in a former Cook's discount department store in the Perring Parkway Shopping Center, is Channel's 99th unit and marks the beginning of its thrust into Baltimore where the W. R. Grace-owned chain hopes to have six outlets in operation by year-end, officials said (*NHCN*, Feb. 27).

It would have been Channel's 100th store, however, the chain had earlier been forced to close its Pompton Plains, N.J., unit temporarily after it incurred damage during spring flooding in northern New Jersey.

"The opening of the Baltimore stores represents the natural continuation of Channel's southerly expansion, which began last year with the opening of four stores in the Greater Washington, D.C., Metropolitan Area," officials said in a press release.

The unit here becomes one of the largest in the Channel chain and officials expect their other Baltimore area stores to average 50,000 sq. ft. in newly built and remodeled facilities. They planned the new stores to feature many of the same marketing techniques begun in Washington, including a sharper pricing strategy, which has been taken chainwide, more bulk merchandising and 70-in. fixtures.

Somerville to expand northward

NEW YORK—Somerville Lumber is currently negotiating to purchase a site in southern New Hampshire on which it will build its fourth store.

The announcement of this expansion was made by Somerville's chairman Melvin Cohen at a June 6 retail security analysts' luncheon here where Payless Cashways president David Stanley spoke. Somerville Lumber is a subsidiary of that Kansas City-based chain.

Cohen also said that Somerville's third unit, a 56,000-sq.-ft. store being constructed in West Bridgewater, Mass., is expected to open in early August. This will be the company's largest store, and will include a 53,000-sq.-ft., double deck warehouse facility attachment. Customers will be able to shop in this area only when accompanied by a salesman.

Anderson Utah retrofit complete

PARK CITY, Utah—Anderson Lumber has completed a $300,000 remodel of its building materials center located in this ski resort community about 30 miles east of Salt Lake City.

Anderson Lumber president Jim Beardall said the remodel project expanded the retail sales floor to 6,000 sq. ft. from 1,700 sq. ft. The expansion is intended to increase consumer sales, which now account for 25% of sales volume.

The newly retrofitted building also contains an additional 2,000-sq.-ft. contractor service center. The building exterior reflects the resort atmosphere. The white stucco building has a shake shingle roof, cedar siding and wooden walkways, Beardall said.

The Ogden, Utah-based chain operates 22 outlets in Utah, Wyoming and Idaho. In recent years it has been concentrating its emphasis on the consumer segment of its business.

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Vol. 10, No. 14 July 2, 1984

Hines 1st new unit in three years to feature warehouse formatting

EAST DUNDEE, Ill.—When Edward Hines Lumber opens its first new retail location in almost three years here late this summer, the unit will feature Hines' first use of warehouse merchandising in nontraditional areas, a race track aisle and no wall between showroom and indoor lumberyard.

Targeted for opening early next month, the 22,000-sq.-ft. store in this Chicago suburb will likely do more than the traditional 50% consumer business for a Hines unit and will also give the company 26 retail facilities in the Chicago market, according to president Edward Hines.

He said the outlet will include some warehouse racking and some conventional fixtures, but that there will be more warehouse racking in the store's traditional areas that did not have it in the past.

The warehouse look may add to the higher merchandising the chain hopes to achieve at the new store. Hines said fixtures will present an "amphitheater" effect and may go as high as 12 ft. to 14 ft. The result should be better displays and use of storage space.

In the past, Hines' displays have risen 5 ft. to 6 ft. above the floor.

At the company's recent annual meeting, Hines told shareholders of the "efficiency in handling products" at the warehouse store. "At East Dundee," he told them, "in-stock merchandise can be easily moved mechanically onto display racks."

The race track will enhance product presentation and sales, according to Hines.

"We feel it's very important to expose the customer to as much product as possible," Hines said in explaining the utilization of the race track. "The arrangement also allows a customer to shop the store and find merchandise by himself."

The elimination of the wall between the showroom and the lumberyard should improve service and customer convenience, according to Hines.

"We hope to draw the customer back into the lumberyard by eliminating the barrier that was there," Hines said. "Customers were often drawn back there by demand anyway, but this will make it more convenient for them."

Hines indicated that similar walls in other units may be eliminated where feasible and that in future new stores there will be no wall either "unless unforeseen problems occur at East Dundee."

Endcaps at the store will feature "rotating signage," according to Hines, to advise DIYers about various projects.

The chain has also recently embarked on an aggressive advertising campaign involving the radio, television and print media, Hines noted, to attract DIYers to Hines' stores.

In late March, the chain kicked off a series of 10- and 30-second television commercials of a price-item nature. The first 20 seconds of the 30-second spots usually show a customer lamenting about a project and noting that he should have gone to Hines, the company president explained.

"We've done TV from time to time in the last 10 years, but this is the biggest campaign thus far," he said. He told shareholders that the TV campaign must be working since sales increased in April despite poor weather.

(Continued on page 43)

Lowe's five volume annual report shows unique leadership attitude

NORTH WILKESBORO, N.C.—At a security analysts' meeting in New York last month, Payless Cashways president David Stanley went up to Bruce Missett, an analyst for Oppenheimer & Co., to ask the question that has become *de rigueur* in the industry:

"Are you mentioned in the book?"

The "book" is the 239-page "Terms Defined" dictionary that makes up one-fifth of Lowe's Co.'s 1983 annual report, which has had retailers, analysts, manufacturers and investors buzzing.

The five-volume, 488-page tome with map is the most informative, funny, provocative and talked-about annual report to be delivered to this or perhaps any other industry. And it is an attempt by Lowe's to establish an even firmer leadership position in the home center industry among investors.

Lowe's 1983 annual report is broken down into five booklets, each 8¼ by 5⅜ in., that not only give detailed financial information about the 240-unit chain, but also provide investors with a more comprehensive glimpse at the home center industry.

Four of the five booklets that comprise this year's report contain what might be called standard annual report information, aimed at specific readers: the "Facts and Figures" book giving statistical and graphic analysis of Lowe's past year's performance, put in the context of its historical growth, competition and the overall United States economy; an "Investor's Review" for financial analysts; "Why Invest," a 17-page essay for the company's current and would-be stockholders, and a "Which Way" pamphlet, penned by Lowe's chairman Robert Strickland, discussing the chain's short- and long-term strategies.

Standing alone, these four books would rival just about any other company's annual report for detail, pertinent information and clarity. Loaded with allusions—the books quote such diverse sources as Adam Smith, Bernie Marcus, Robert

(Continued on page 44)

Electronic retail seminar debates DIY friendliness of video kiosks

NEW YORK—A growing number of vendors have announced plans to provide retailers with in-store kiosks for electronic shopping. However, participants at last month's seminar on electronic shopping, sponsored by Touche Ross at the Waldorf Astoria June 11-12, expressed some disagreement about how involved customers are likely to get with the devices.

"Customers will interact more with the kiosks, if more heart is put into the presentation," offered Robert Roskind, president of Do-It-Yourself Inc., the Charlotte, N.C., firm that is planning to place kiosks in home centers this year.

However, in a reflection of the unsettled state of the industry, Roskind said his company planned to offer kiosks in two forms to home centers. The first would allow customers to interact by pressing buttons on a keyboard to bring up specific video presentations of do-it-yourself (DIY) projects. The second would not allow interaction, but would simply present a running series of such video presentations.

Six months ago, the firm had planned to offer only kiosks that were interactive (*NHCN*, Dec. 12, 1983). The noninteractive model has been added in response to a perception that some home centers are not convinced shoppers are ready to respond directly to in-store terminals.

Other participants in the seminar, however, felt that shoppers not only would be willing to interact with in-store kiosks, but would actually use them to order merchandise.

"People have told us they will order through a terminal," said Charles Page, sales and marketing vp for ByVideo, a vendor that plans to offer its kiosks to retail stores.

(Continued on page 43)

The extent to which consumers will use in-store machines to order merchandise was recently debated at an electronic shopping seminar in New York. Above, a kiosk for presentations of DIY projects at Rickel's new Warminster, Pa., unit. NHCN photo

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	5/31-1 mo.	$ 23,160	$ 19,499	19	—	—	—
Hechinger	4/28-1st qtr.	87,859	64,746	36	$ 3,406	$ 2,446	39
Lowe's	6/1-4 wks.	150,800	123,100	23	—	—	—
Scotty's	5/26-4 wks.	35,617	34,443	3	—	—	—
Wickes	4/28-1st qtr.	704,998	640,482	10	-6,073	-7,793	—

*$ in thousands

Source: Company reports

STOCK PRICES

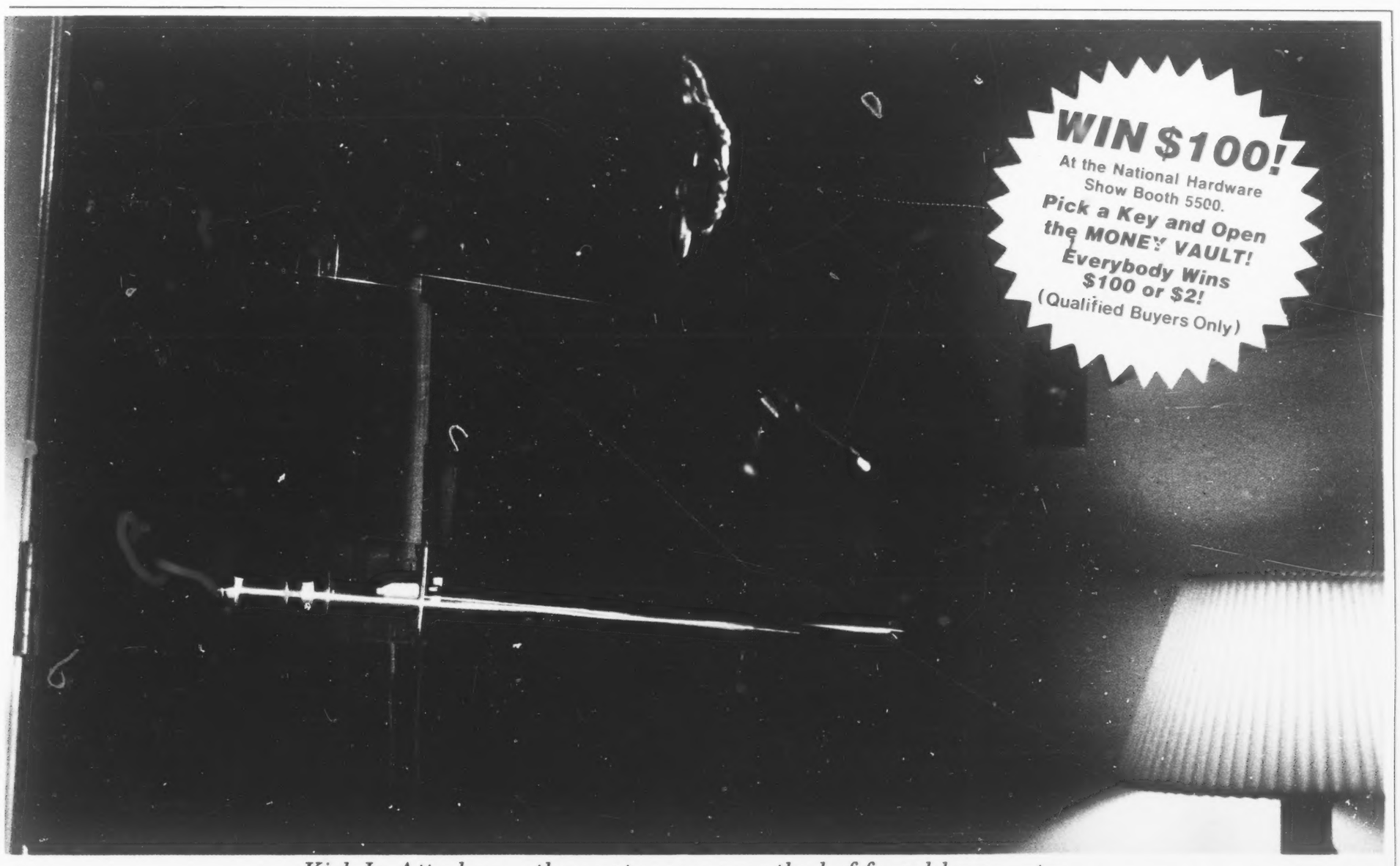
		As of 6/11	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		33¾	45	33½	13
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34½	46¾	33¾	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		6	19½	4⅞	—
Forest City (AMEX)	A	15¾	20⅛	12⅜	30
	B	15¼	20½	13	29
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		40¼	50⅜	36½	11
Home Depot (NYSE)		21¼	31¾	14	43
Lowe's (NYSE)		20⅜	32¾	17½	13
Michigan General (AMEX) [Diamond Lumber]		5¾	14	4⅝	30
Pay 'N Pak (NYSE)		15⅜	24	12¾	14
Payless Cashways (NYSE) [Furrow]		16⅜	34½	15	13
Scotty's (NYSE)		14⅜	18⅜	13	11
Southwest Forest Industries (NYSE) [Knox Lumber]		18⅞	22½	12¼	—
Standard Brands Paint (NYSE)		19¼	28¾	17⅛	11

Nasdaq—over-the-counter stocks

		As of 6/11	52-week High	52-week Low	P/E Ratio
Color Tile		14⅛	21¾	13⅝	—
Hechinger	A	17¼	24¼	13½	—
	B	17½	25	14	—
Pay 'n Save		17¼	29¼	14⅜	—

Over-the-counter stocks

	As of 6/11 Bid	As of 6/11 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	—	25¼	16
Hines Lumber	32½	33½	41½	25
Home Centers of America [units]	22	—	51½	16
Homecrafters Warehouse	13	13½	17½	12½
National Lumber	6½	7	13¼	5¾
Scotts Seaboard [Scott's]	2¾	3¼	5	2
Wolohan Lumber	4⅜	4⅝	9¾	4⅛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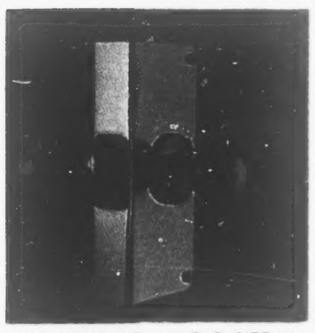

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FINANCIAL NEWS

Slow nursery sales cause Pay 'n Save income drop

SEATTLE—The remerchandising of Ernst Home Centers along with poor spring weather that produced disappointing sales in the chain's nursery departments were major contributing factors to a 64% decline in net income at Pay 'n Save during its first quarter ended April 28, company officials explained.

The company's earnings fell to just above $1 million on an 18% rise in sales to $303 million.

Vice chairman and chief financial officer Cal Hendricks said the 69-store Ernst chain, a division of Pay 'n Save, has experienced a temporary decline in sales as a result of the closeout of its sporting goods departments late last year (*NHCN*, Feb. 13).

However, he said the replacement of sporting goods with merchandise "more consistent with the home center image is a positive strategic step expected to yield favorable results as the reformatting and remerchandising of the home centers is completed."

Hendricks also said that start-up costs for the company's new Price Savers Wholesale Club chain, which opened its first 100,000-sq.-ft. store during the quarter in Salt Lake City, Utah, and Northwestern Drug, a wholesaler acquired in February, had a negative impact on operating results.

Price Savers, a members-only chain offering such home center goods as hardware, tools and seasonal items (*NHCN*, Nov. 7, 1983), debuted its second store in Fife, Wash., late last month.

Lowe's 23% volume gain in May continues strong sales growth

NORTH WILKESBORO, N.C.—Lowe's continued its strong sales growth during May as it posted a 23% gain in volume to $150.8 million in the four weeks ended June 1.

The 239-store chain's retail sales increased 30% to $82.6 million from a year ago although its builder volume rose only 14%, its smallest increase since January 1983, to $68.2 million. Officials blamed the lower growth in professional sales on rainy May weather and a difficult comparison to May 1983 volume when builder sales rose 64% from the prior year to $59.6 million.

Sales at the 233 stores opened for more than a year rose 21% in the period to $148 million.

The favorable May sales report came on the heels of an equally favorable first quarter ended April 30 as Lowe's saw earnings rise 47% to $12.7 million on a 27% increase in sales to $380.3 million compared to the first quarter of 1983.

Officials attributed the earnings gains to a 25% increase in comparable-store sales to $374.3 million, an increase in gross profit from 24.58% in the year-ago quarter of 24.78% in the most recent quarter, and control of expenses which amounted to 18.4% of sales in the first quarter compared to 19% of sales in the previous year's first quarter.

Sales to retail customers in the quarter increased 21% to $185.7 million while sales to professionals increased 33% to $194.6 million, officials said.

MORE FINANCIAL NEWS appears on PAGE 42

FUTURES

Two weeks ended June 7, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July '84	148.90	134.70	136.80	146.30	3,343	252.50	134.70
Sept.	158.00	144.60	146.80	155.10	1,720	236.00	144.60
Nov.	161.00	149.40	151.70	157.60	1,552	229.00	149.40
Jan. '85	168.50	157.50	159.30	166.30	445	221.30	157.20
March	174.00	164.20	167.00	170.00	202	220.40	161.00
May	178.00	169.50	170.50	174.00	153	225.00	167.00
July	182.50	173.50	174.70	179.00	145	230.50	179.50

Total Contract Vol. (Through 6/7): 21,185 — Previous Two Weeks: 31,447
Total Open Interest (As of 6/7): 7,585 — Previous Week: 7,487
Cash Price: $137.20 — Previous Week: $140.14 — Year Ago: $232.26

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
July '84	179.00	173.00	176.40	181.00	54	210.00	173.00
Sept.	180.00	178.50	180.00	183.20	3	212.50	177.50

Total Contract Vol. (Through 6/7): 59 — Previous Two Weeks: 21
Total Open Interest (As of 6/7): 57 — Previous Week: 61
Cash Price: $181.30 — Previous Week: $188.16 — Year Ago: $208.74

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	—	—	—

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, June 7.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

Retailers capitalize on deck boom; competitiveness shrinks margins

(Continued from page 1)

derosa pine lumber and we kiln-dry the lumber again after treating. We expect to get a better price because of this."

Payless Cashways' Somerville Lumber, Somerville, Mass., has used a similar method to escape the margin squeeze.

"I suppose margin tightening is true to a point," said Ed Linehan Jr., "but we have had success selling decks in a package and our margins haven't slipped. They are still in the mid-30's or higher. We keep the items in-stock and give service by showing people how to install them and by giving them literature."

Somerville recently ran a set of four 8-ft. by 12-ft. deck packages, including the lumber, nails, joists, headers, hangers and plans, for prices ranging from $169 to $249. A similar redwood deck was going for $575.

While treated lumber and deck margins have slipped about 10% to below 40% in the last five years at Nassau Suffolk Lumber & Supply, Melville, N.Y., the six-store chain offers computer printouts on materials for 140 variations of deck packages to attract business, according to administrative assistant Chris Van Tuyl.

"This is the third year we've had it [the computer deck kits] and we're very pleased with its production," he said. "We couldn't have done this manually and customers are very impressed with the service. They recognize the care that goes into this."

Nassau Suffolk Lumber's spring and fall ad campaigns are centered around decks, according to Van Tuyl.

While the chain, like other dealers, does not track deck sales as such, it does keep tabs on treated lumber sales. Last year, it sold more than two million board feet of treated lumber, much of it for decks, Van Tuyl said. Through May this year, Nassau Suffolk Lumber had already sold 1.5 million board feet and was preparing to do almost three million board feet of treated lumber sales in 1984.

Van Tuyl pointed to another Nassau Suffolk Lumber service that other larger dealers do not match.

"Channel and Rickel don't deliver, so they can get less for their treated lumber," he explained. "About two-thirds of our material is delivered."

Western Home Center's Dornbusch feels specialties will be the way to keep treated lumber margins up in the future.

"The only way is to offer treated lumber at variable prices," he said. "You sell six to eight items at cost plus some change and then have special lengths or special deck items in a package."

Last year, Western provided a special early season deal on treated lumber. It sold the material for 25% off if ordered in January, 20% off if ordered in February and 15% off if ordered in March provided the customer paid at the time of the order and picked it up in April, according to Dornbusch.

"Our treated sales were up at least 50% last year and were probably more like 75% to 100% better," he said. "We sold 50 truck loads that way."

While Western did not repeat the promotion this year, sales have still matched last year's results.

Other home center chains are enjoying similar success, and it is not surprising, according to figures from Data Resources Inc., Lexington, Mass.

Bernard Fuller, director of FORSIM, Data Resources' wood products forecasting group, said treated lumber sales exceeded three billion board feet last year, up 25% to 30% from 1982, and the group expected a 10% to 15% growth rate this year.

"It's one of the few major growth areas in the lumber category," Fuller said.

Wolohan Lumber through April had experienced a 40% to 45% rise in treated lumber sales from a year ago and Basner associated that increase to the demand for decks.

Busy Beaver's Coleman tied a 10% gain in treated lumber to decks.

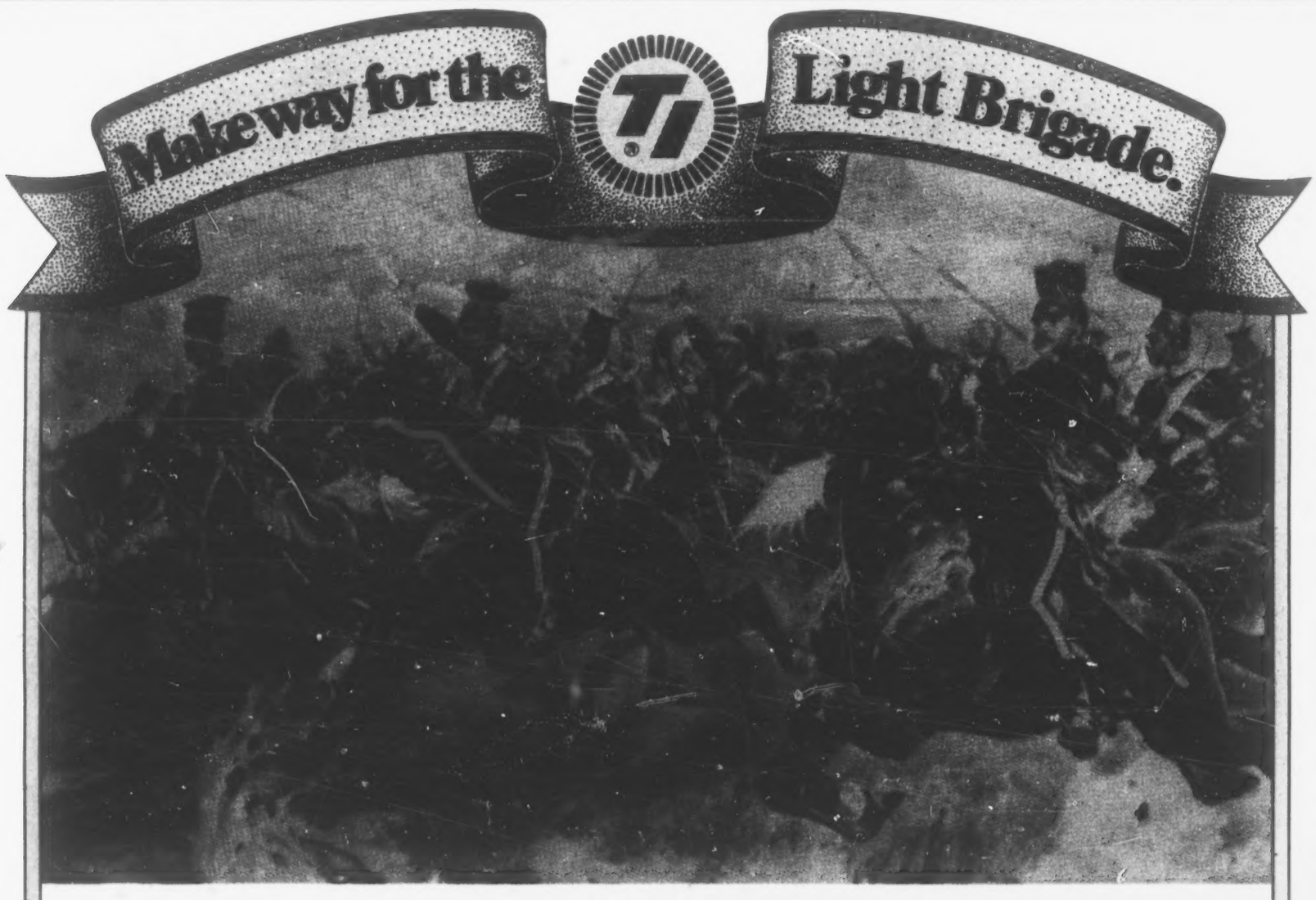
"Pittsburgh is a very good town for decks," he explained. "It's very hilly and I'd say 95% of the homes are on property where there are elevation changes. Some homes have a set of stairs and a landing. This lends itself well to treated lumber and decks."

The chain tries to feature decks with a picture of one and a list of different sizes every other week in its in-season advertising and often attempts to merchandise them with other items such as preservers and even swinging patio doors.

At two-unit Millard Lumber in the Omaha, Neb., area, manager Dave Clanathan of the Bellevue, Neb., store said his deck sales were up 15% from a year ago even before the peak deck season.

The chain promotes decks heavily during their selling season with packaged deals offered in different species of lumber. Up until recently, most of the decks sold in Millard's trading area were made of cedar.

"But, treated is starting to be a household name," Clanathan said. "It's guaranteed for 30 years and the manufacturers are promoting it, making people more aware of its benefits."



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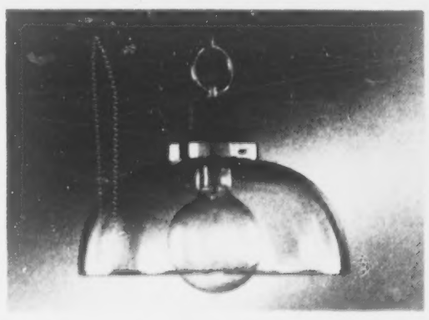

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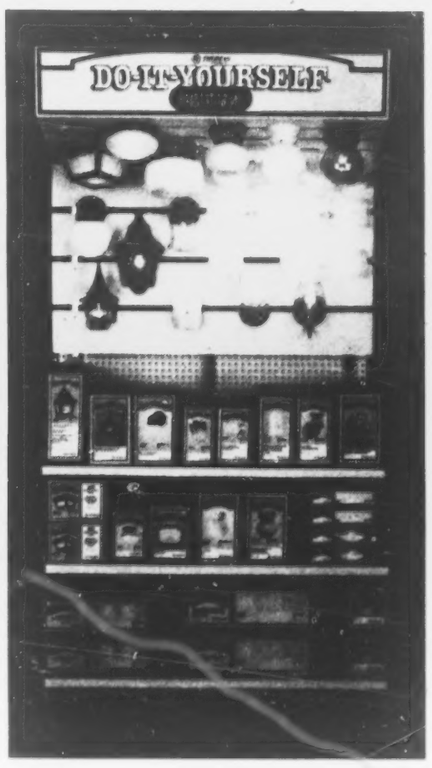

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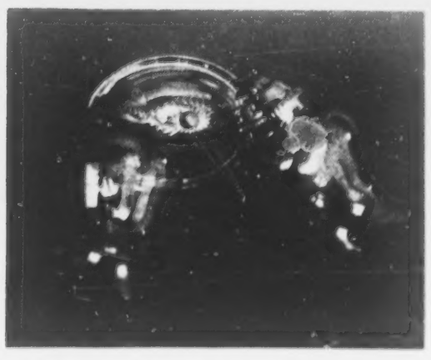

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National Home Center News®

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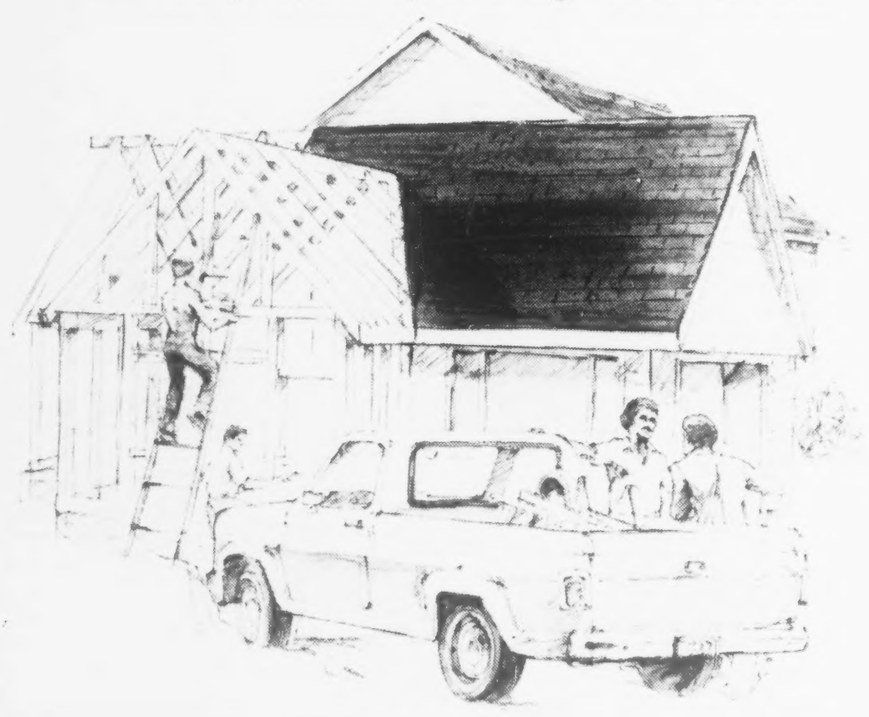
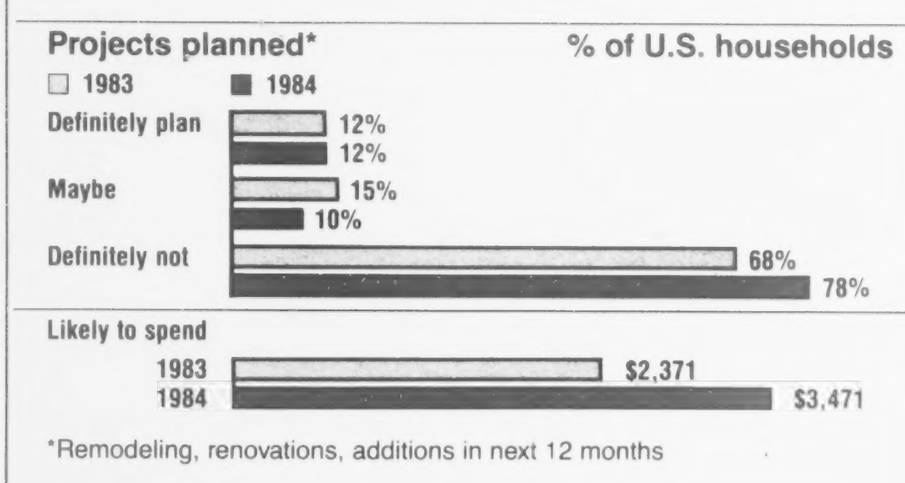
Planned project spending rises 46.4%





*Remodeling, renovations, additions in next 12 months

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

While the number of households who say they are definitely planning a home improvement project in the coming year remained steady, those households plan to spend $3,471 on a project in 1984, up from $2,371 last year.

Room additions to pace rise in project spending

NATIONAL REPORT — Fewer American households carried out a major home improvement project in the past 12 months, compared to a year earlier, but a new nationwide study shows households involved in such projects are spending substantially more per project.

Approximately 14% of America's 85 million households completed a major remodeling or renovation project in the past 12 months, according to a study conducted during April for National Home Center News.

The level of home improvement activity was down from a year ago, when an identical poll taken in March showed that 23% of the nation's households had completed a major home improvement project in the previous 12 months.

However, homeowners spent an average of $3,992 on major home improvement projects over the past year, an increase of nearly 60% over the previous year.

The study also revealed that while the proportion of households "definitely planning a project" in the next 12 months has held steady over the past year—at about 12%—those who were less certain over a year ago, now seem more definite that they will not undertake a major project in the coming 12 months.

Among those definitely planning projects, however, the most significant change over the year is the rise in interest in adding a room to their existing home.

These findings are part of a much broader nationwide study conducted for National Home Center News, featured in a report appearing in this issue, entitled, "The Anatomy of Consumer Buying Decisions."

(Continued on page 63)

Some key survey findings:

- *Product-by-product analysis can provide retailers with a tremendous competitive advantage ..... Page 17*
- *Americans still prefer home centers for most home improvement products, but warehouse outlets are gaining acceptance, particularly among big project spenders 17*
- *Behind each planned project purchase is the probability of a major home improvement project 20*

Home Centers of America sold to K mart for $90 mil.

Agreement gives discounter 1st leg in home center bid

By Kenneth Schept
NHCN executive editor

SAN ANTONIO — Home Centers of America and K mart have reached an agreement in principle for the giant discounter to purchase the 16-month-old warehouse home center chain for $11 per share or $90 million based on outstanding stock and purchase options.

According to the agreement, nine-store HCA will become a wholly owned subsidiary of K mart, the nation's second-largest retailer, with more than 2,100 stores.

With the infusion of the discounter's capital HCA could grow by 25 stores during the next 18 months, including the seven already planned by HCA and several announced by K mart, according to J. Kent Fortner, HCA senior vp finance. For the year ended Jan. 31, K mart earned $492.3 million on $18.6 billion in sales.

HCA will open the K mart warehouse stores already scheduled for Chicago in late summer. The name of stores to be opened by HCA-K mart was not revealed. HCA's stores had been called Home-Pro Warehouse until a trademark infringement suit resulted in shortening the name to Home Warehouse. That name will be abandoned, at least in new markets.

K mart will purchase 30% of the outstanding shares and purchase options held by HCA principles, which would provide a strong measure of control to parry any competing purchase offers that might surface.

Based on his stock holdings, listed at 340,000 shares, HCA founder and chairman, Frank Denny, stands to gain about $3.7 million from the deal. He

(Continued on page 82)

84 Lumber's Hardy sets sights on billion dollar chain expansion

By John Caulfield
NHCN senior editor

EIGHTY FOUR, Pa. — Last Christmas, the 84 Lumber Co. here gave its founder and chairman, Joe Hardy Sr., a brand new, cream colored Cadillac Eldorado to replace the beat up, rusting Datsun he drove when visiting the chain's stores all around the country.

"We thought Joe should be in something more imagey," said a former 84 store manager in Denver.

Hardy, it seems is beginning to feel the same way about the company he founded 27 years ago. Now with 379 stores in 38 states, the industry's largest private company—and the sixth largest chain with $630 million in sales last year—is reportedly launching a major bid to its reputation as a chain of no frills, discount lumberyards into the leading operator of fuller-line home centers.

This bid, according to Hardy, will include a seven-year, $1 billion expansion drive which will add 35 stores in 1984, 300 more by 1990, and the acquisition of a major, but unnamed competitor.

Hardy's "vision" is for 84 Lumber to be the largest home center chain in the industry, with projected sales of $840 million this year skyrocketing to $3 billion by the end of the decade.

(Continued on page 82)

Drug retailer expands home center chain

By Brad Altman
West Coast editor

SALT LAKE CITY — American Stores Co., known for its ties to drug-and-grocery retailing, is expanding a chain of home centers here.

A grand opening was held in late June in Sandy, Utah, for a 25,000-sq.-ft. Skaggs Home Center—the fourth American Stores' home improvement outlet to debut in the Salt Lake valley.

A fifth Skaggs outlet—the third build-to-suit to open since last fall—is slated to debut in late August on Van Winkle Boulevard. It replaces a nearby, five-year-old, 40,000-sq.-ft. Skaggs.

Meantime, the original Skaggs Home Center, a 45,000-sq.-ft. unit in the West Valley operating since 1972, will undergo a major remodeling in September.

Each of the home centers is located in the same building as a Skaggs Alpha Beta drug/food combo store. They share a common wall, but each has a separate outside entrance and exit.

The home center expansion began last November, when a 30,000-sq.-ft. Skaggs outlet was opened. In effect, by the end of this summer, three new Skaggs home centers will have

(Continued on page 82)

American Stores, a drug-and-grocery chain, has opened its fourth Skaggs Home Center in the Salt Lake City market.

NEWSBREAKS

HOMECLUB NABS SAN JOSE SITE. The three-unit, Long Beach, Calif.-based warehouse home center chain will take over a 100,000-sq.-ft. ex-Zodys discount store, said Bob McNulty, president and ceo. A mid-September opening for the San Francisco Bay area unit is planned.

INSIDE:

HARDWARE FAIR president Tom Butz has resigned . . **Page 2**
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HOMEOWNERS DIY CENTERS trims its seasonals department, shifting emphasis to its massive in-store lumber displays 71

NHCNews Briefs

Industry Update

Busy Beaver slates Pitt. whse

PITTSBURGH — Busy Beaver Building Centers has slated a warehouse store for the Pittsburgh market, to be opened next spring, according to vp of marketing Tom Herward. Location of the new store was not revealed.

The company is also currently looking at two new markets, both of which would involve the opening of more than one warehouse store with merchandising floors of around 60,000 sq. ft.

The first step toward what the $120 million chain of 24 retail locations call "the next generation of Busy Beaver stores" with warehouse formats occurred last month, when the chain began renovating its 45,000-sq.-ft. unit in Niles, Ohio, (*NHCN*, April 9).

The chain was scheduled to begin internal demolition, racking, merchandising and signing of an old Woolco shell in Boardman, Ohio, this month as the initial move to open the unit as Busy Beaver's first warehouse store this fall. A grand opening date has not yet been set.

The Niles and Boardman stores not only represent a move by the chain to "solidify our position in the Youngstown market," according to Herward, but are also the first two entries in a new round of stores that differ radically from the traditional home centers and lumberyards of Busy Beaver's past.

Lowe's opens 5 Nashville outlets

NASHVILLE — Lowe's Co. made its "biggest commitment" to any market when it reopened five stores here on June 21.

The 238-unit chain based in North Wilkesboro, N.C., converted the four stores it bought in December from Homecrafters Warehouse to Lowe's outlets ranging from 14,000 sq. ft. to 22,000 sq. ft. The company also remerchandised its own 7,200-sq.-ft. leased unit in nearby Lebanon.

The stores have an aggregate of about 50,000 sq. ft. of enclosed warehouse space and each sits on 3-½ acres of land.

"[This] is the biggest commitment we've ever made to one market," said Dwight Pardue, Lowe's executive vp-store operations. He would not disclose renovation and remerchandising costs.

Creditors to vote on Wickes' plan

SANTA MONICA, Calif. — Wickes Cos. detailed reorganization plan filed with the Federal bankruptcy court earlier this year will be mailed by July 24 to creditors for their approval, company officials said.

The plan was approved by the U.S. Bankruptcy Court June 27, and now must be approved by holders of two-thirds of the dollar amount of the company's debt and a majority vote of each class of creditors and equity holders.

Under the proposed plan, which received agreement in principle by creditors committees in February, all remaining Chapter 11 debts of Wickes—totaling $1.21 billion—will be repaid to creditors in a combination of cash, stock and notes.

Once ballots returned by creditors are tabulated, confirmation hearings will be held in late September, said Sanford C. Sigoloff, chairman and ceo. "The company expects to make an interim cash distribution under this plan in late December 1984. The securities are expected to be issued in January 1985 when the plan will formally become effective," Sigoloff said.

The chief executive added that "we strongly recommend that creditors and equity holders vote in favor of the plan."

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Vol. 10, No. 15 July 16, 1984

Butz leaves Hardware Fair

BALTIMORE — Officials at The Hardware Fair chain here were stunned by the sudden departure of longtime executive, Tom Butz, on June 22.

Butz, 38, had served as the company's general manager from 1972 to February 1983, at which time he was appointed its president. A few months earlier, the 11-unit chain—which was started by Butz's father, Howard, and Carl Morstein in 1921—had been merged with The Home Shop, a retail convenience chain based in Richmond, Va.

Immediately after submitting his resignation, Butz and his family took off for a sailing trip to Long Island that had been planned well in advance. He was unavailable for comment.

The reasons for Butz's surprise exit were not immediately known. The chain appeared to be on solid ground financially—its sales last year were between $11 million and $12 million—and it had just opened its largest store, an 18,600-sq.-ft. unit in Baltimore, on March 17.

But sources within the company, and those familiar with its operation, assert that, for at least the past year, Hardware Fair suffered from problems of cash flow, inventory management, and some corporate personality conflicts.

Currently, the chain's inventory is turning at slightly more than two times annually, and, according to one knowledgeable source, its stores are stocked with "more than $500,00 worth of merchandise we simply can't get rid of."

This situation has put pressure on the chain's ability to pay off its vendors, but sources claim its debt position is not in jeopardy.

Butz's dissatisfaction with his company's performance was evident by the fact that Hardware Fair has had three controllers in the past year. Its most recent controller was hired by Butz only last month.

Sources could not comment on why Hardware Fair was having so much trouble moving its inventory. However, when it was taken over by Home Shop, its merchandise mix was altered to include some items—housewares, heating equipment.

In addition, prior to its sale to Home Shop, the company had just completed an extensive remerchandising and remodeling of its stores.

Apparently, Butz and Home Shop were at odds about how the chain was being run, and some sources said he attempted to buy back Hardware Fair from Home Shop's parent company, American Shelter Industries (AMSHEL) in Jacksonville, Fla., this spring. Several calls to AMSHEL's president, John Sisk, went unreturned.

What direction the company will now take cannot be determined at Home Shop president Bryan MacLeod, who will assume Butz's role with Hardware Fair, declined to comment until the end of July.

Bracing for Payless, K mart invasion

Levy's planning 2 more Louisville stores

By Greg Puchalski
NHCN senior editor

CLARKSVILLE, Ind. — Levy's Lumber & Building Centers will open its fourth store in the Louisville, Ky., market this fall when it debuts an 80,000-sq.-ft. facility in a former Topp's discount store here.

Company president Philip Levy said his chain is also close to landing a fifth location for opening next year in the market.

He explained that the expansion is intended to give Levy's, an $18 million chain, greater penetration in Louisville, where all three of its present outlets are situated, and more leverage against the impending arrival of Payless Cashways and K mart which plans to open two warehouse stores in Louisville (*NHCN*, June 18).

"There are a lot of people coming to Louisville and we want to be open and operating when they arrive," Levy said. He also pointed out that Lowe's, Wickes and 84 Lumber already operate near the Clarksville location and Payless is also building nearby.

"We feel we fit a niche in the market," he added. "The Clarksville store is an existing building in an area we felt we were not properly represented."

It will be Levy's first store across the Ohio River in Indiana.

The new unit, next to a Value City discount store and Kroger supermarket, will feature a new merchandising concept which will introduce some warehouse-style retailing to the company. Gondolas will rise to 7½ ft. with warehouse racking going up more than 10 ft., according to Levy.

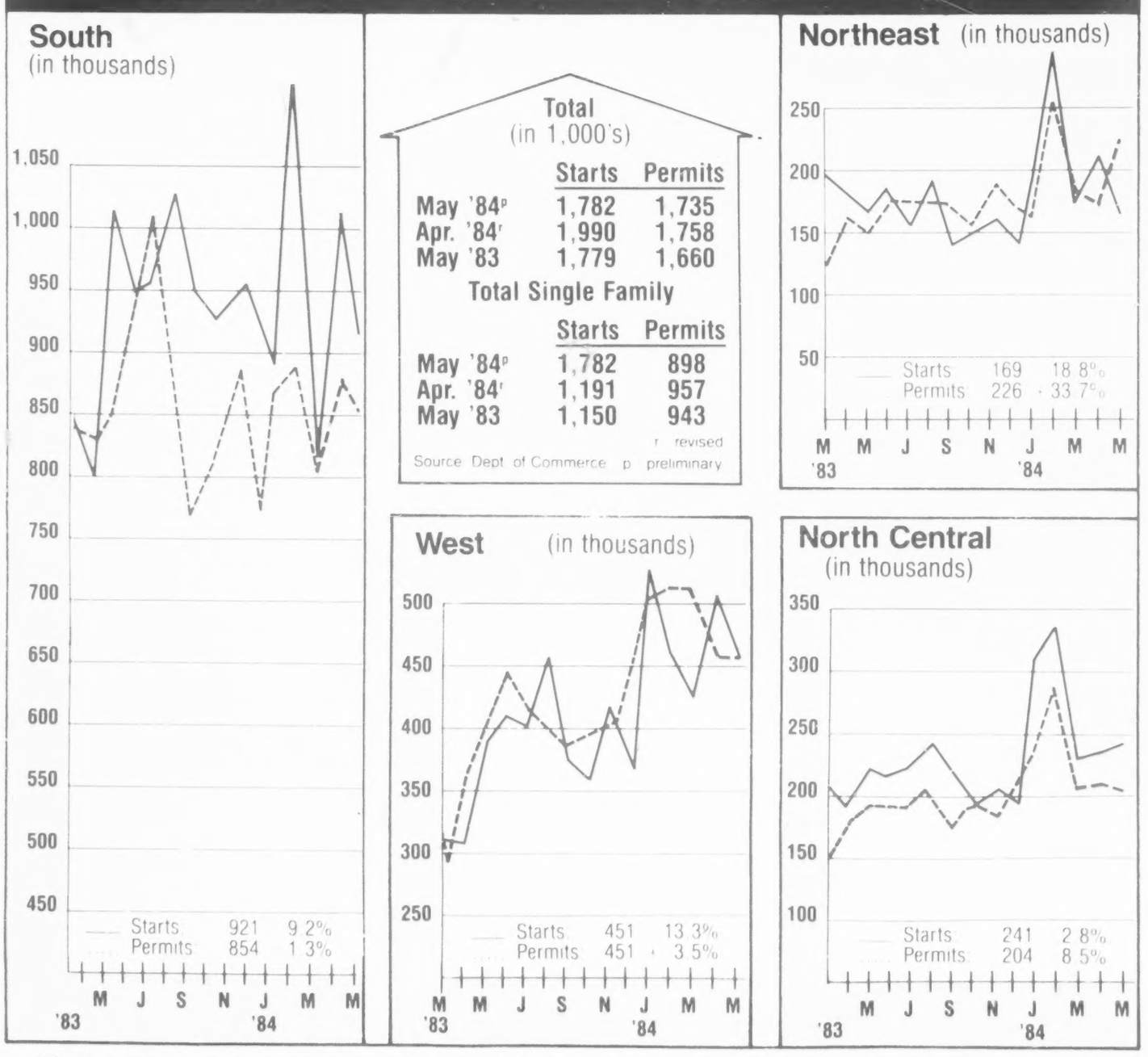
However, chain officials wanted to maintain a "high quality image," he said, and some displays will have "theatrical lighting".

The concept has been in the development stage for two years and Levy's delayed its introduction at its Dixie Highway store in southwest Louisville while negotiating for the Clarksville facility, Levy said. However, the Dixie Highway unit will also convert to the format in 82,000 sq. ft. of space .

Levy's officials are also looking to expand its penetration at the east end of Louisville where it now operates a unit on Dutchman's Lane.

"We're committed to huge stores at this time," Levy said.

May home-building activity



May's home building housing starts fell 10.5% from April to a seasonally adjusted rate of 1.78 million units. This is still strong seasonally and up 12.2% on May 1983. Total building permits were up 4.6% over April to 1.7 million units seasonally adjusted with Northeast North Central and West regions all showing a month-to-month increase.

Plywood Ranch maps small-market strategy

BRAINTREE, Mass. — A slimmer Plywood Ranch is embarking on a new course that will take it into smaller markets with stores that specialize in one or two product categories.

Company president Charles Rosen told *NHCN* that over the next several months, the 16-store chain plans to reduce each store's stock-keeping units, currently averaging around 10,000, and concentrate on merchandising plumbing and millwork.

"Our stores pretty much do this now, but the emphasis will be much greater on these products in the future," he said.

In addition, Plywood Ranch, which Rosen once thought could grow to more than 100 stores through franchising, will now expand at a much slower rate with company-owned stores. It has just hired Doug Schauf, formerly the director of merchandising for the Rite-Aid drug store chain, as its new director of operations.

These moves come after the chain decided to truncate its franchising efforts at the beginning of 1982, and it has either closed or spun off all but two of its franchised stores since.

"We simply found that we couldn't make the franchised stores mutually profitable, either for us or the franchisee," said Rosen, whose chain spent most of 1983 shuttering its franchised stores or selling them off to private owners.

Currently, Plywood Ranch, with 1983 sales of $25 million, has 14 company-owned units and two franchised outlets, which it plans to run as such. But it wasn't that long ago that it was a 28-unit chain with 14 franchises, looking to open more stores under a dual-partnership arrangement.

The chain began franchising in 1979 and, under director of franchising George Silver (who died in late 1982), the company was the most aggressive franchiser in the home center industry.

A franchisee's total investment totaled $210,000 for a 10,000-sq.-ft. store, and he would pay 3% royalty on sales that rose to 5% when volume exceeded $800,000 annually.

"We've had many people take over store-run units and produce dramatic sales increases," said Silver back in 1981. He added that by June of that year, Plywood Ranch could have opened 30 more franchises were it not for problems of finding suitable locations.

However, things began to sour. A number of the franchises were faltering and, in October 1982, its Somerset, Mass., franchise filed for Chapter 11. In addition, Plywood Ranch closed its company store in Cambridge.

Since then, the chain has gotten rid of all but the two most profitable franchises and has again started up a remerchandising program it began in 1982, but was put on hold until its corporate and expansion plans were stabilized.

Rosen would not comment specifically on how large he would like to see Plywood Ranch grow, except to say that by the end of 1985 he did not think the company would be that much bigger than it is right now.

But, he noted, when Plywood Ranch does move into a new market, it will be an area some of the larger home center operators are unlikely to service. In selecting towns of under 100,000 in population at a time when much of the industry is expanding into the most densely populated markets, Rosen said that "we choose to swim in shallow waters where the bigger fish can't or don't want to go.

"We feel those markets need to be served, and the larger home centers aren't really interested in them, which presents a perfect opportunity for our company."

Erb banks on Cashmore to coordinate merchandising in newly created position

BIRMINGHAM, Mich.— Man on the spot for the development of a unified merchandising theme at Erb is John Cashmore, brought aboard eight months ago as advertising and merchandising director.

Since then, reformatting of the stores has been proceeding to the point where statewide advertising was placed for the first time in January. By May, when the company held grand reopenings for four remerchandised stores, more products were able to be included than ever before.

"We will continue to reformat our stores," said Cashmore, adding that, by this fall, point-of-purchase signs will at last be coordinated with advertising programs. In the past, such signs were developed by store managers.

Like other home center chains that have made the transition to stronger headquarters control, Erb faces the potential of conflict between its store managers, with their traditional autonomy, and corporate officers determined to have the chain reflect the realities of modern retailing.

"Previous to John Cashmore, we never had a person in charge of merchandising," reflected Ron Snyder, Detroit regional manager.

The chain faces the task of getting store managers to buy corporately while keeping a delicate degree of latitude so they can adjust to local competition.

Greater consumer appeal drives fiscal comeback at Erb Lumber

By Phillip M. Perry
NHCN associate editor

BIRMINGHAM, Mich. — When Erb Lumber held a grand opening party for close to 900 guests at its new 140,000-sq.-ft. distribution center last month, the chain was celebrating far more than just the construction of a glittery building to help buy merchandise cheaper and service stores faster.

The $2 million structure was only the most visible element in a larger picture of a chain that, after experiencing the humiliation of having its net income drop over 75% between 1980-82 because of declining housing activity, sprang forth from disaster into a new resolve to avoid similar fall offs in the future.

Erb Lumber's new 140,000-sq.-ft. distribution center is one aspect of an overall fiscal comeback designed to "increase our sales to consumers," according to president Fred Erb. NHCN photo

At the close of business last year, Erb was able to report an increase of some 154% in net income over 1982, largely because of a rebound in new housing.

However, the experience of 1980-82 taught the chain that future profitability must hinge on more than contractor sales.

"We are making an effort now to increase our sales to consumers," said Fred Erb, president of the chain of 29 stores that grossed $137 million in sales last year. Of that, some $69 million went to consumers.

Remerchandising the chain's stores so that they all possess a similar appearance, and present more glamourous displays to the public, is the pivotal change upon which the company's new strategy pivots.

When the company held a grand reopening for its store in Royal Oak, Mich., in May, consumers saw, for the first time, merchandising elements that may well end up in a future Erb prototype. These elements included an expanded kitchen cabinet display to include no fewer than 14 styles in settings near the front of the store, bathroom vanity and paint departments visible from the front door, a trebling of the number of endcaps storewide, the covering of the inside walls of the store with cedar pine boards, and longer evening operating hours.

Additionally, lumber has been positioned inside the store for the first time, and has been "located near the back to draw people through the store," according to Ron Snyder, the company's Detroit regional manager.

(Continued on page 81)

Top TV advertising buyers spend $4.9M in first qtr.

NATIONAL REPORT — Television ad spending for 1984's first three months almost topped the five million dollar mark among the 15 largest home center advertisers.

One chain—Payless Cashways—spent more than one million dollars during January through March, while four "newcomers" entered the top-15 list; according to the Television Bureau of Advertising (TVB).

TVB compiles the figures, which totaled $4.9 million, from Broadcast Advertisers Reports Inc. data, which gives quarterly reports on the top 75 TV markets.

Payless Cashways remained

(Continued on page 81)

Top TV ad spending Jan.-March 1983-84

Chain	Expenditures		
	Jan./Mar. '83	Jan./Mar. '84	% change
1. Payless Cashways	$895,600	$1,255,300	+ 40
Payless	461,100	685,500	+ 49
Furrow	327,900	460,400	+ 40
Lumberjack	106,600	109,400	+ 3
2. National Lumber	333,600	532,200	+ 60
3. Scotty's	300,900	503,300	+ 67
4. Home Pro Warehouse	—	381,900	—
5. Wickes	502,200	357,900	- 29
Wickes Lumber	—	242,600	—
Builders Emporium	502,200	115,300	- 77
6. Mr. Goodbuys	142,500	301,600	+112
7. Plywood Minnesota	268,400	270,600	+ 1
8. The Home Depot	304,700	251,700	- 17
9. Menard Cashway	121,400	229,400	+ 89
10. Sutherland Lumber	188,300	212,000	+ 13
11. Hechinger Lumber	148,700	170,200	+ 14
12. Ole's Home Centers	74,700	128,700	+ 72
13. Lowe's	50,400	110,400	+119
14. West Building Material	—	108,800	—
15. 84 Lumber	—	84,100	—

Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data. *NHCN* chart

Payless Cashways ranked No. 1 among the 15 largest home center TV advertisers, spending more than $1 million in the first quarter.

Lumbermen's changes president, adopts more aggressive posture

By Brad Altman
West Coast editor

SHELTON, Wash. — Lanoga Corp., parent of Lumbermen's headquartered here, has adopted a new aggressive posture as it expands its 15-unit chain in the Washington and Oregon markets.

Lanoga president and ceo Ted Tanase said the Lumbermen's division will be relocated from this rural city of 17,000 to a more populous area along Interstate 5 later this year.

Moreover, Lanoga has created a new position at Lumbermen's—executive vp—to be filled by Bill Cromett, formerly vp-marketing at United Building Centers, a Lanoga division based in Winona, Minn.

Meantime, Tanase has become acting president of Lumbermen's following the May 1 departure of Larry Knudsen, a 25-year Lumbermen's employee who had been president since 1977.

Seattle-based Lanoga bought the then-five-unit Lumbermen's in March 1982 from founder Robert Slettedahl in a $5 million deal.

A fast-track expansion pace followed in the acquisition's aftermath. In February 1983, Lanoga bought eight-unit Williamette Industries, a building supplies retailer located primarily in northwest Oregon. Those units were merged into the Lumbermen's chain, raising the store count to 13.

On July 13, Lumbermen's was slated to hold a grand opening for its largest unit—a 60,000-sq.-ft. converted warehouse in Clackamas, Ore. The 14th unit, a 30,000-sq.-ft. newly built store in the Seattle suburb of Redmond, debuted in March.

These stores represent the final new-store openings scheduled for this year.

In fact, the two main objectives of new Lumbermen's executive Cronett when he arrives from Minnesota at midmonth will be to accelerate store expansion planning and to integrate store operations with marketing. Tanase said Cromett's experience is expected "to strengthen the retail side."

In an interview, Knudsen indicated that the headquarters' relocation was not a factor in his decision to leave the company. He characterized his departure as "a mutual separation" related to "differences in some philosophy."

Currently, Knudsen said, he is "semiretired," but he may return to the home center business in the Pacific Northwest.

Former Lumbermen's chairman and ceo, Robert Slettedahl, now living in Copalis, Wash., said he believes Knudsen left because he was "in a certain sense, disillusioned."

Slettedahl continued, "Lanoga is a top-notch company, but a small, private owner can do things for his employees that a major company cannot do. I have no criticism of that.

"Larry used to tell employees that Lumbermen's was the best in the world—but under Lanoga, he no longer felt that way."

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Homecrafters Warehouse	4/30-1st qtr.	$ 36,528	$ 22,950	59	$ 215	$ 226	– 5
Pay 'N Pak	5/31-1st qtr.	74,437	53,885	38	2,386	1,568	52
Payless Cashways	5/26-2nd qtr.	301,266	263,450	14	11,554	12,013	– 4
Scotts Seaboard	4/28-1st qtr.	9,270	8,290	12	19	156	– 88
Standard Brands Paint	4/29-1st qtr.	77,819	67,710	15	4,624	3,513	32

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 6/26	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		34½	45	32⅝	14
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34¼	46¾	33¾	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's Hubbard & Johnson, Lindsley]		5⅜	19½	4⅞	—
Forest City (AMEX)	A	15½	20⅛	12½	30
	B	15½	20½	13	30
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅜	50⅛	36½	12
Home Depot (NYSE)		22¼	31¾	14	45
Lowe's (NYSE)		21⅛	32¼	17½	14
Michigan General (AMEX) [Diamond Lumber]		5	14	4⅜	26
Pay 'N Pak (NYSE)		15¾	23	12¼	14
Payless Cashways (NYSE) [Furrow]		16½	33⅞	15	13
Scotty's (NYSE)		13⅛	18⅜	13	10
Southwest Forest Industries (NYSE) [Knox Lumber]		18⅝	22½	12¼	—
Standard Brands Paint (NYSE)		18⅞	27⅜	17⅛	11

Nasdaq—over-the-counter stocks

		As of 6/26	52-week High	52-week Low	P/E Ratio
Color Tile		14¼	19¼	13⅝	—
Hechinger	A	18	24¼	13½	—
	B	18	24½	14	—
Homecrafters Warehouse		12¼	17½	11¾	—
Pay 'n Save		16½	29¼	14⅛	—

Over-the-counter stocks

	As of 6/26 Bid	As of 6/26 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	20	25¼	16
Hines Lumber	35	37	41½	25
Home Centers of America	9⅛	—	15½	6⅛
National Lumber	6¾	7¼	13¼	5¾
Scotts Seaboard [Scott's]	2¼	3	5	2
Wolohan Lumber	4¼	4⅜	9¾	4⅛

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FINANCIAL NEWS

Pay 'N Pak's remerchandising boosts sales 29% at older stores

KENT, Wash. — Pay 'N Pak's warehouse-store conversions and its recently completed remerchandising program, which brought lumber and building materials to all units (*NHCN*, May 23, 1983), helped to boost store-for-store sales by 29% at its outlets three years old or more during the company's first quarter ended May 31, officials said.

The store-for-store increase contributed to a 38% gain in revenues at the 102-unit chain to $74.4 million and a 52% rise in net income to $2.4 million in the period from year-ago figures.

The chain's gross profit fell from 37.1% a year ago to 34.8% in the most recent quarter.

During the quarter, Pay 'N Pak increased its warehouse-store count to 10 by opening new units in Modesto, Calif. (*NHCN*, March 26), and Honolulu (*NHCN*, June 18) and by converting three units in the San Jose, Calif., area and one in Seattle to the warehouse format. The company also relocated a unit in Eugene, Ore., converting it to a warehouse store in the process.

Officials are planning the conversion of eight more outlets, including those in Santa Clara and Sunnyvale, Calif., Fairbanks, Alaska, Grand Junction, Colo., Billings, Mont., and Casper, Wyo., to the format and the opening of two new warehouse stores in the San Francisco area by the end of fiscal 1985 next February.

"Warehouse-type units are doing extremely well in our type of business, and that is why we are emphasizing that phase of the company's development," chairman David J. Heerensperger said.

Expansion advances Homecrafters' sales 59% to $36 million

BIRMINGHAM, Ala. — Substantial increases in sales at its 34 combination retail/builder stores and continued warehouse-store expansion helped Homecrafters Warehouse increase sales by 59% to $36.5 million in its first quarter ended April 30, chairman and president Georges A. Hanzi said.

"Our first-quarter results were significant and exceeded our expectations," he said. "The performance of the combination retail/builder stores was very strong, reporting a 41% sales increase and a 71% increase in store profit before home office overhead."

The combination-store performance helped to keep the decline in the company's net income to $214,628, down 5% from a year ago.

The drop emanated from a more than $400,000 charge against earnings for preopening expenses associated with warehouse-store openings and a more than $100,000 charge for data processing expenses connected to a new in-house computer system.

Since acquiring 36 stores, including two warehouse outlets in Memphis, Tenn., from Union Camp, Wayne, N.J., earlier this year (*NHCN*, Feb. 27), the company has opened an additional warehouse unit in Memphis and its first in Denver.

Officials plan to open another Denver warehouse and two Nashville, Tenn., warehouses this summer.

Regarding the chain's conversion from service bureau data processing, officials said they now operate a point-of-sale system with full stock-keeping-unit control.

In another development, Homecrafters Warehouse is now listed on the NASDAQ national market system. Hanzi said the inclusion of the chain on the over-the-counter system provides investors with continuous transaction data.

FUTURES

Two weeks ended June 21, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July '84	139.00	128.80	132.40	138.70	2,530	252.50	128.80
Sept.	151.20	139.50	139.90	151.10	2,552	236.00	139.50
Nov.	157.00	146.20	146.30	156.00	1,635	229.00	146.20
Jan. '85	165.10	154.10	154.30	164.50	530	221.30	154.10
March	173.20	162.50	162.50	171.50	248	220.40	161.00
May	178.70	168.00	168.00	176.00	166	225.00	167.00
July	184.40	173.00	173.30	182.00	155	230.50	170.50

Total Contract Vol. (Through 6/21): 21,590 — Previous Two Weeks: 21,185
Total Open Interest (As of 6/21): 7,571 — Previous Week: 7,696
Cash Price: $134.24 — Previous Week: $136.22 — Year Ago: $227.36

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
July '84	179.00	175.20	179.00	177.50	48	210.00	173.00
Sept.	Nominal		183.00	183.00	3	212.50	177.50

Total Contract Vol. (Through 6/22): 12 — Previous Two Weeks: 59
Total Open Interest (As of 6/21): 51 — Previous Week: 54
Cash Price: $184.24 — Previous Week: $183.26 — Year Ago: $203.80

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	231.7	—	249.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, June 21.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

Lumber suit settled after 16 yrs; plaintiffs to divide $156 million

NATIONAL REPORT — Letters of notification are now being sent to dealers who might potentially share in the $156 million settlement of the industry's 16-year-old plywood antitrust suit.

The letters were to go to individuals and companies that purchased plywood from any of the more than 30 defendant manufacturers during the period of Feb. 23, 1968, to Dec. 31, 1973.

The case involves allegations that, during this period, certain plywood manufacturers conspired to set freight costs, which had the effect of reducing competition.

Settlement was finally achieved out of court last year, shortly before the Supreme Court was to consider a technical point in the proceedings.

As part of the settlement, the plaintiffs have the sales records from most of the defendants, which show who purchased plywood and how much. The notification letters will be sent to names on these lists.

"If a notice goes to a company, the company is going to get money," said Jim Goldberg, general counsel for the National Lumber and Building Material Dealers Assn.

Only direct purchasers of plywood are eligible. If the material was obtained by a retailer through a wholesaler, then the wholesaler could be eligible for remuneration under the settlement agreement, not the retailer.

In any case, money received as part of the settlement will not be for the full purchase price of the plywood but rather for the freight overcharge, since that was the basis of the suit.

In instances where producers' sales records are not available, a dealer seeking to participate in the settlement will have to produce his own documentation.

Where manufacturer's records are available, letters will be sent to each customer involved. In other words, dealers or wholesalers who received plywood from multiple sources, during the period covered in the suit, should receive more than one letter of notification.

Dealers are expected to review these notices since, according to a deputy court clerk in U.S. District Court, New Orleans, supplemental claims may be filed if there are areas of disagreement.

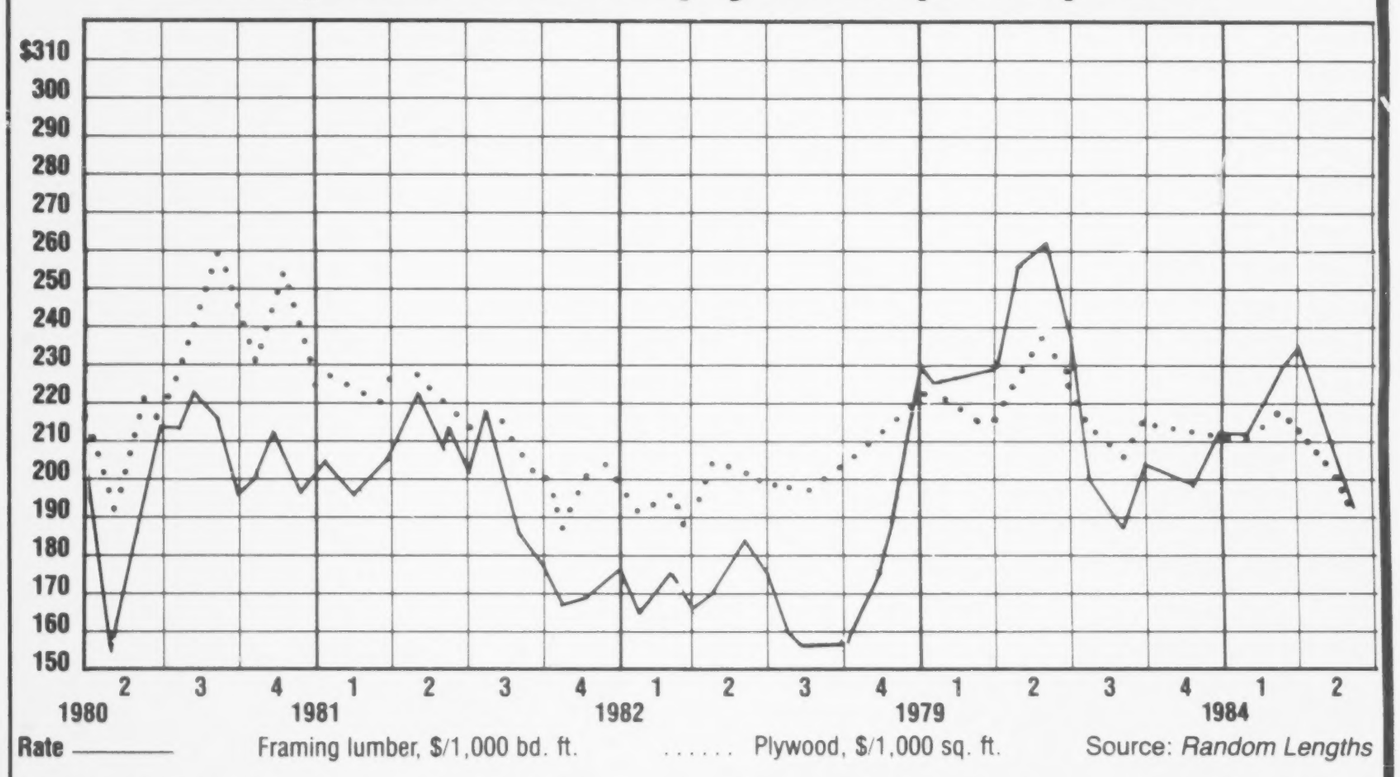
The actual amount of the settlement is $171,427,000. The $156 million figure results after legal fees and other expenses are deducted.

While eligible members of the class should receive the exact amount they are due from freight overcharges, they could receive more or less than that amount once the exact size of the class is determined, according to Goldberg.

He said that since the records of the 16-year-old plywood sales are incomplete, it is possible that documentation supplied by dealers could increase the number of those seeking a piece of the settlement to the point where each might receive something less than a full refund of freight overcharges.

Similarly, the incomplete records could also produce a situation where the size of settlement produces proceeds that exceed what each member of the class is actually entitled to, in which case each would receive additional funds. It is too early to determine exactly how the distribution of the settlement will work out, he said.

Composite lumber/plywood price profile



Source: *Random Lengths*

Both the lumber and framing lumber composite prices have dropped steadily since winter. The lumber price composite was $234 per thousand board feet in March but by May it had sunk to $193. Similarly, the plywood composite, which was $214 per thousand square feet in March was down to $198 in May.

Prices were softened because of heavy mill production at a time when dealers were buying conservatively, despite lean inventories, because of fear that rising interest rates would slow housing. Additionally, poor weather through much of the country impeded construction during the early part of the building season.

With the recent rise in the prime lending rate forecasters do not expect a significant bounce in prices soon. The composite prices are derived by Random Lengths from a weighted average of nine key framing lumber prices and seven key plywood products.

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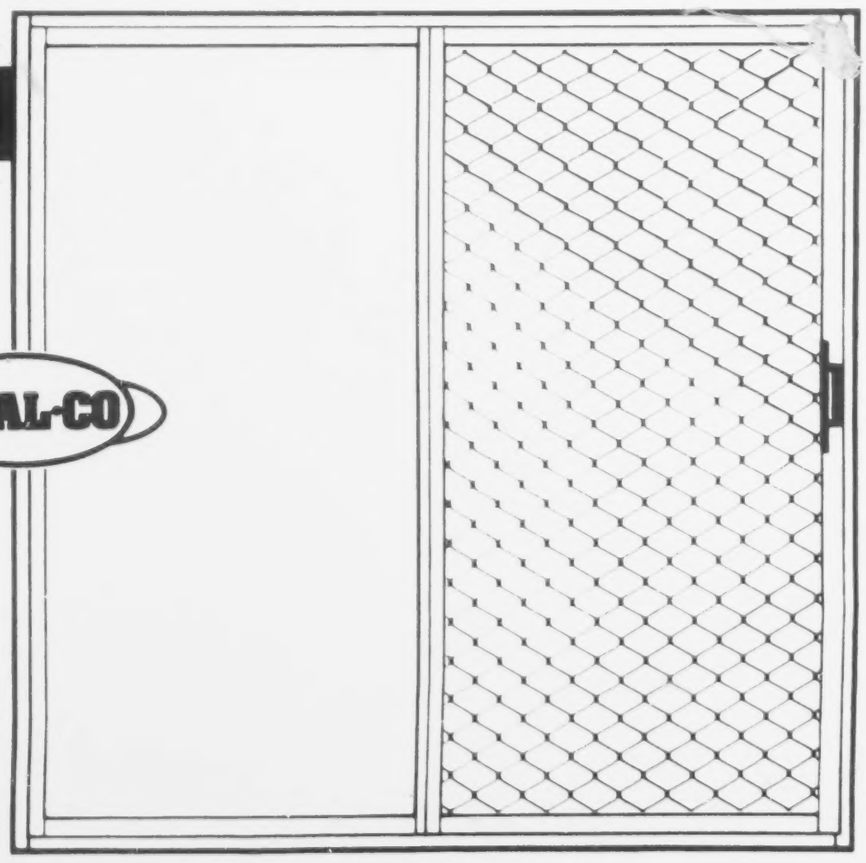

PEOPLE
every issue
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National Home Center News

THE ANATOMY OF CONSUMER BUYING DECISIONS

Product analysis can give retailers a strategic edge

By Wyatt Kash
NHCN editor

Trying to understand how seemingly fickle consumers judge the qualities of a product and determine its value is a thankless challenge to most home center buyers and merchandisers.

Just about the time an audit confirms that a buyer is on the right track with one product line, the consumer decides to switch to something else.

Consequently, balancing the right supply with the changes in consumer demand is what makes the job of most merchandisers as much of an art as it is a science.

A new study, however, suggests that shoppers attach varying, and somewhat predictable, degrees of importance to certain measures of a product's worth when deciding to buy a product, but that these measures change dramatically from product to product.

In fact, on a number of issues—how important brand is to the decision-making process; whether there is an actual brand preference; how important the store is to the decision-maker; and, what specific features consumers look for beyond "quality"—consumers clearly demonstrate that the standards they apply to one product may have little to do with the ones they apply to the next.

These are among a few of the issues explored in detail for 40 selected home improvement products, ranging from lumber to screws, and gutters to garden hose, in a new study just completed for *National Home Center News* by the consumer research firm, Leo J. Shapiro & Associates.

The findings indicate that retailers have tremendous opportunity to leverage their product sales potential by developing specific product-by-product marketing and merchandising strategies, rather than merely presenting strong departments.

The nationally projectable study, based on telephone interviews in April and May with approximately 2,000 households in the United States, also revealed:

- **Product buying plans:** Lumber and hand tools will be bought by a quarter of America's 85 million households in the coming year; virtually half of the households expect to buy paint. At least 10% of United States households say they will buy 15 to 40 selected home improvement products in the coming year *(see chart, p. 20)*.
- **Product-project correlation:** Behind each planned product purchase lurks a strong probability of a major home improvement project. Some products, though, hint at much larger projects than others, and not always the obvious ones. Of 11% of United States households planning to buy a faucet in the coming year, 4 out of 10 are "definitely planning major home improvement project" in the coming 12 months, and expect they'll spend nearly $6,000. Even mirror tile purchases suggest major home improvements are in the works *(story, p. 20)*.
- **Demand for brand:** Brand names play an important, but limited role in the buying decision process. In most cases, the store—*where* consumers buy a product, which implies service, selection, and guarantees—is more important than who makes a product. Even when brand is important, con-

(Continued on page 19)

Home centers preferred, but warehouses gaining

More Americans prefer to shop home centers for a broad range of home improvement products than at any other kind of retail store. However, warehouse home centers are beginning to gain recognition and acceptance, particularly among households making major home improvement expenditures.

Moreover, warehouse stores also seem to be drawing shoppers more frequently than home centers, a development that could have significant implications to home center operators in markets where warehouse stores are now competing.

These and other findings emerged from a new nationwide study conducted for *National Home Center News* by the research firm Leo J. Shapiro & Associates, Chicago.

The study shows that nationally, 41% of America's 85 million households prefer to shop at a home center when looking for home improvement products. Significantly, however, 6.5% of American households now say they prefer to shop at a warehouse store over any other type of store—a relatively high figure considering how new warehouse home centers are in the United States (*NHCN*, May 7).

Hardware stores and Sears remain a popular choice for home improvement products, cited by 21% and 15% of all United States households as the preferred place to shop for those products. Less than 9% of American households say they would prefer to shop at a discount store, and less than 4% prefer specialty stores when shopping for a variety of home improvement products.

Preferences change markedly, and shopping patterns appear accentuated, however, in Phoenix.

In a separate study, done in conjunction with the national survey, *National Home Center News* examined the Phoenix market, in an effort to see how home improvement retailing might evolve. The premise was that Phoenix—the nation's 22nd largest metropolitan area—has some of the strongest, most competitive home center operators in the United States now going head to head, and a population that is being exposed to some of the most innovative retailing techniques in the country, such as the Price Club, and Smitty's, an upscale supermarket discounter combination store.

In Phoenix, 17% of the market's 616,000 households prefer to shop at a warehouse store, while 59% prefer to shop at a home center, far above the national average. The preference for Sears drops by nearly two-thirds in Phoenix (where there are five Sears stores) to about 5% while the preference in Phoenix for hardware stores is about half the national average, at 9%.

The difference between the Phoenix market and the national sample suggests that hardware stores and Sears tend to lose customers to home centers and warehouse stores when consumers are in the market for a broad range of products.

On a national basis, shoppers of home centers, hardware stores and warehouse stores are far more likely to be "definitely planning a major project" in the next 12 months than shoppers who prefer Sears, discount stores and specialty

(Continued on page 51)

Retail advertising serves as price/value yardstick

Retail advertising is increasingly becoming a tool by which consumers can judge product value and compare prices, rather than just a means to keep up to date with home improvement product sales.

In addition, almost half—48%—the nation's consumers say that they are "very interested" in retail home improvement ads, with about 30% saying they are "somewhat interested," and 20% saying they are not so interested, according to the consumer research study conducted for *National Home Center News* by Leo J. Shapiro & Associates.

The study examined the ingredients used in the decision-making process by home improvement consumers, both on a national basis and in a specific market, Phoenix.

Phoenix, noted for its innovative retailers ahd intense home center competition, shows consumers with even stronger interests in home improvement ads.

Some 55% of Phoenix consumers say they are very interested in home improvement retail ads, while the number who have little or no interest has dropped to 13% in that city.

Some of these shifts in interest might rflect Phoenix's growing population as the exodus to the Sunbelt and large numbers of new houses being built in the area, continues.

Also, the intense competition causing stepped up advertising may be heightening home improvement store profiles for he local consumer: Phoenix has 30 home centers operated by Angels, Foxworth-Gailbraith, Handyman, O'Malleys and Payless Cashways, plus four Home Depots, five Sears, 10 K marts and seven Color Tile stores.

The reasons why consumers are interested in advertising offers clues to the changing role of advertising for shoppers.

Nationally, almost a third—29%—of American consumers study retail ads in order to catch sales and money saving specials.

There is a marked contrast though between Phoenix and national markets over the matter of price comparison.

Currently, a quarter of the national—24%—appears to use retail ads in order to compare prices. Among Phoenix's consumers, however—37%—are actively using ads to compare prices.

More unusual was the fact that nine times as many consumers proportionally in Phoenix study ads to check information on product quality, compared to the national response rate. In fact, this marks a trend confirmed by a totally independent study made by the Newspaper Advertising Bureau earlier this year, which stated that an increasing number of ads will have detailed product information by the end of the century due to consumers interest in product information.

Meanwhile, four times as many Phoenix consumers proportionally said they use ads in order to save time compared to the national average.

Also, shoppers may be becoming more self-assured as to what they want to buy, and where to buy it. Fewer people in Phoenix said they use ads to find out what's available, than did households nationally.

When the degree of consumer interest in retail store ads is

(Continued on page 52)

NHCN's 1984 Consumer Attitude Survey

Product analysis gives retailers strategic edge

(Continued from page 17)

sumers demonstrate varying degrees of actual brand preference. In some cases (e.g., molding, roofing, paneling and wallpaper), consumers indicate they want a brand, but have little to choose from; in other cases (e.g., ceiling tile and insulation), while consumers have a brand preference, the brand is less important than other factors. The study suggests that retailers have the potential to develop brand names in some categories, and that they may be overpaying for brand identification in others *(story, p. 19)*.

• **The buying decision:** While quality and perceived value remain the cornerstones of how consumers evaluate a product's worth, specific design features and esthetic characteristics also play an integral role in the buying decision. Faucets and piping, for instance, attract different customers: One customer is looking for style and looks; the other is looking specifically at the material the piping is made of, the study indicated.

The study's chief conclusion is that retailers, by recognizing which factors play a stronger role in the buying decision for each product, can better tailor their merchandising presentations. Moreover, the study suggests retailers who target their merchandising and marketing on a product-by-product basis, will be able to gain a strategic edge over dealers who tend to merchandise related products in similar fashion, even though those products such as the faucet and piping, call for different approaches.

One of the key measures used in analyzing how consumers evaluate a product is a comparison of the importance of brand vs. the store in the buying decision.

Consumers were asked, for all 40 products, how large a difference brand names made in their buying decisions, and then were asked how large a difference selection of a store made in that buying decision.

Consumers responded by rating each product on scale of one to nine, where "nine" made a tremendous difference and "one" made no difference at all.

In general the mean average ratings, when combined for all 40 products, showed that the store plays a slightly more important role (4.18) than does brand (4.01). In a companion study of the Phoenix market, surveyed by *NHCN* in the belief that Phoenix represents a more competitive, more sophisticated shopping environment, stores were rated 4.50, brands 2.87, suggesting who sells the product means much more in Phoenix, relatively speaking, than who makes it.

The study shows that the importance of brand varies widely, with stationary tools at the top of the list, getting a rating of 7.04, and fasteners at the bottom of the list, with a brand rating of 2.49.

The importance of the store meanwhile, was in a narrower, but generally higher range overall *(see charts, p. 66)*.

When the two scores for each product are examined in combination however, distinct patterns emerge that suggest several unique strategies for different products.

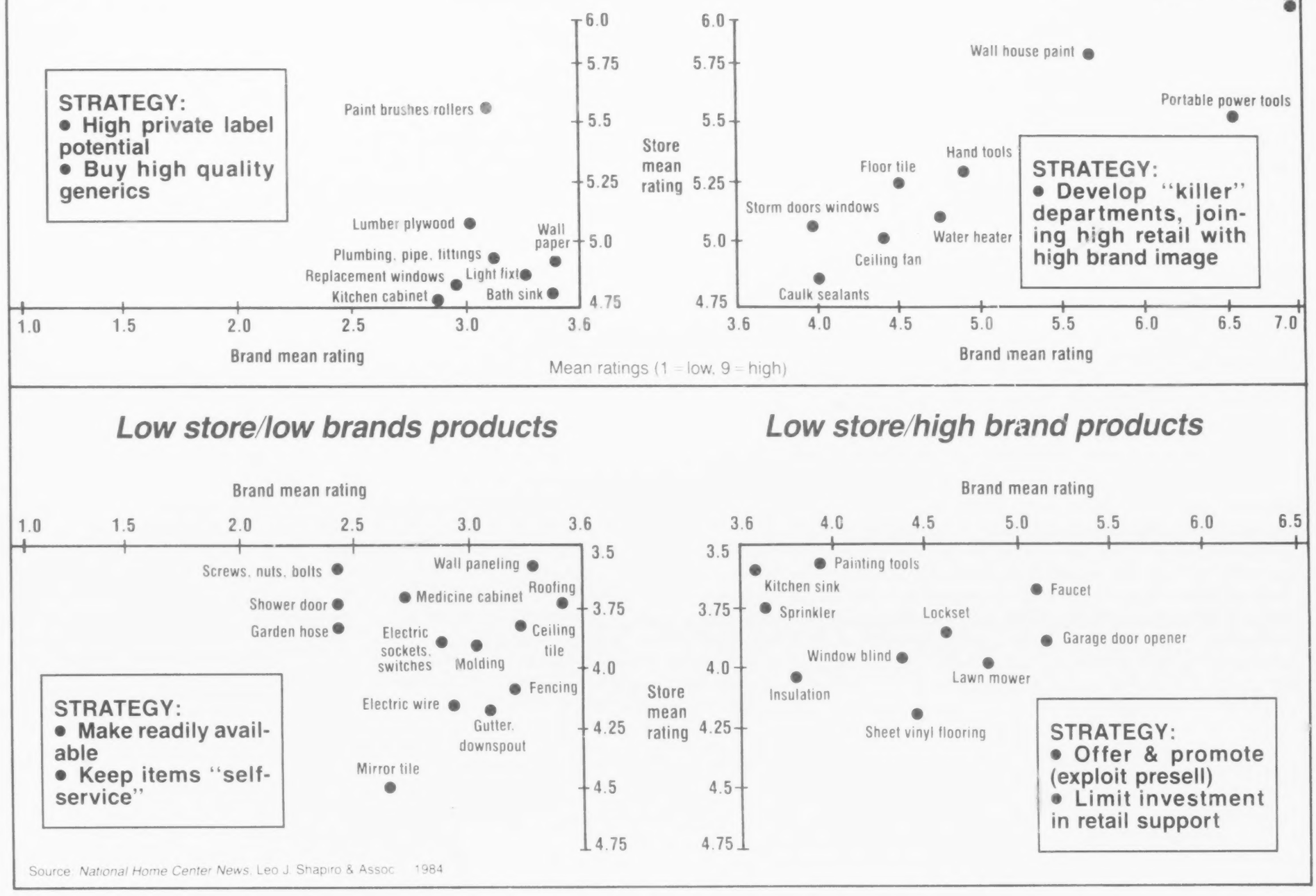
One pattern, for instance, indicates some products have a high store/low brand profile, where who sells the product is more important than who makes it. The study suggests the strategy for such products, including wallpaper, paint brushes and bathroom sinks, would be to develop strong private label programs to maximize the pull the store already has.

Other types of products are those with a high brand high store profile; a low store high brand profile, and a low store - low brand profile, each with distinct strategies *(see diagram, p. 19)*.

The findings of the study, highlighted in this issue, are contained in a 300-page report entitled, "The Anatomy of Consumer Buying Decisions." For more information on the study, see page 38.

The complete report, including a 241-page summary, plus a 60-page analysis of consumer shopping trends, and executive summary, is available in a single volume for $250. For more information write *National Home Center News*, Dept. S-84, 425 Park Ave., New York, N.Y. 10022.

Product Buying Anatomy



Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

By being responsive to consumers' dependence on store and brand, retailers can devise strategies to merchandise products in each of four consumer importance classifications:

• *High store/low brand—high private label potential assures product quality of store and generic labels. Avoid giving up margin for brand names.*

• *High store/high brand—develop "killer" departments that combine brand and store excellence into a superior offering. Find things of value that store can do to match high value delivered by brands.*

• *Low store high brand—offer and promote brands to exploit the fact that these are presold products but limit investment in giving retail support to these brands. In short, get credit for having the brands; don't try to get credit for being a retailer.*

• *Low store low brand—make products readily available where shoppers can find them. Rely on self-service, high traffic displays. Avoid investing in brands.*

Brand names play important but limited role

When customers go out to buy a radial arm saw or a gallon of paint, they usually are looking for a specific brand name they know or have used satisfactorily in the past.

Very few products command this level of recognition, though, with most consumers showing little, if any, brand preference for most home improvement products. But consumers, in the majority of cases, do attach a certain degree of importance to brand—that is, who makes a product—that plays an integral role in the consumer's buying decision.

On those products where consumers express no brand preference and do not consider who makes a product that important in their buying decisions, the reputation of the retail store—in terms of in-store service, selection, display, advertising—often plays a stronger role in the decision making process, and why a customer ultimately buys the product.

In this year's *NHCN* Consumer Attitude Study, brand preference and importance are determined among consumers for 40 products. In addition, the degree to which brand and store importance play a role in a consumer's buying decision are presented in a way that provides the retailer with four basic marketing strategies for selling each of the products in his store.

Brand preference was a significant factor for at least one-third of the 85 million projectable households in the study on 10 of the 40 products, with nearly 8 out of 10 of those polled stating they preferred a particular brand when purchasing a portable power tool; nearly 6 out of 10 looking for one brand name of paint; half prefer a specific brand of hand tool.

But after these 10 products, the brand preference percentages fall steadily, to the point where more than half of the products received less than a 20% brand preference response from consumers.

Some items—like mirror tile, electrical wiring, medicine cabinets, shower doors and molding—ranked very low in terms of brand preference among consumers.

In more detailed analysis, the study found that consumers were buying brand names often as an assurance of a product's durability and quality, which were also factors in the purchasing decision. Where price was a more significant element in a customer's buying choice—as in the case of molding, for instance—brand preference is virtually nonexistent.

This is not to say, though, that a product's brand name has no importance to consumers.

When asked whether brands were important to their buying attitudes, and their responses were ranked on a scale of one to nine, with nine being "very important" and one being "least important." Nationally, brand importance for all 40 products averaged out to a mean of 4.01, ranging from stationary power tools (7.04), to wallpaper (3.46), to fasteners (2.49).

But some remarkable discrepancies turned up when the study compared the importance of brand in the buying decision, with the degree of actual brand preferences. For instance, consumers showed minimal brand preference on such items as molding, roofing, wall paneling storm doors and windows, but rated brand importance for these products relatively high. To a lesser degree, this was also true of lumber plywood, interior lighting, kitchen cabinets and sheet vinyl.

These findings could indicate that these products may be ripe for the development of brand identification. This could be in the form of private label, by the retailer, in order to meet the demands of consumers shopping these items but finding very little in the way of brands to choose from.

On the other hand, certain goods—like electricals, gutters and downspouts, fasteners, plumbing, ceiling tiles and insulation—demonstrated a relatively high degree of brand preference for products that, in general, did not have that much brand importance attached to them.

(Continued on page 66)

Shopping preferences

Store vs. brand importance

		Mean rating*
National	Store	4.18
	Brand	4.01
Phoenix	Store	4.50
	Brand	2.87

*1 low/9 high

Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

NHCN's 1984 Consumer Attitude Survey

Behind every product sale is project possibility

A customer walks into a home center and buys a plastic, dual-lever faucet on sale for $29. The transaction may not mean too much at the time to the dealer running the store; it may not even be that profitable.

But over a 12-month period; there is a 2-out-of-5 chance that same customer will purchase close to $6,000 worth of products for a major home improvement project, and those kinds of numbers will get most retailers' attention.

A sizable percentage of consumers buying even the smallest of products report they are "definitely" planning to undertake a much larger project within a year, for which they will need to buy thousands of dollars worth of merchandise.

Products differ dramatically in their capacity to lure project planners and doers into a store. But, on the basis of data correlating product sales with proposed projects to be found in this year's *National Home Center News* Consumer Attitude Study, retailers who concede product sales to competitors could be cutting their stores off from enormous volume to be sold that customer over the long term.

Retailers making the most out of cross-merchandising and advertising opportunities in certain product lines could, in fact, be laying only partial groundwork for sales of big ticket merchandise "packages" that would increase the volume and profit in many of their stores' departments.

In evaluating the study's examination of 40 products and their relative prospects for generating future project sales, dealers may find that they have been giving some items short shrift in their promotions and store displays, or, on the other hand, have overemphasized other products that are less effective in drawing project-oriented consumers.

A bathroom sink and vanity offers a case in point. The study notes that only 7.1% of the 85 million households in America expect to buy one over the next 12 months, ranking it 26th among the 40 selected home improvement items consumers said they might buy. But of those consumers making such a purchase, nearly half said they would engage in a major remodeling or home improvement project in the next 12 months. Asked, if they did, what would they spend, those bathroom sink buyers said they would spend an estimated $6,175 on the project. In this light, the bathroom sink buyer becomes the No. 1 potential project buyer.

It is not surprising that several retailers—Lowe's, Payless Cashways, West Building Materials—have already recognized this trend and have made concerted efforts over the past several months to remodel and remerchandise their stores' bath departments, in which sinks and vanities hold a prominent position.

The size and cost of a product, though, do not automatically determine whether its purchaser will be a big-ticket prospect, as can be seen when electricals and lumber are compared in the study.

Nearly two-fifths of the 12% of all households that plan to buy electrical wiring cable said they would definitely tackle a major project this year, and planned to spend an average of $7,658. In fact, while electrical wiring ranked 12th in the study's planned product purchases list and nineth in product-project correlation, one finds that the product ranked second overall, behind faucets, in providing retailers the largest likely total associated project expenditure.

This is less the case with lumber/plywood. Less than 3 out of every 10 prospective buyers of these goods, are "definitely" thinking about doing a major project although one-fourth of all United States households said they were likely to buy lumber in the next 12 months. Those who might do a major project expected to spend only around $3,500, on average.

The order of planned products purchases in relation to the likelihood for consumers to do major home improvement projects also verifies another industry trend: kitchen and bath remodeling continue to be the dominant home improvement jobs currently being conducted by homeowners.

The first six products listed by rank in the study's product-project correlation chart—bathroom sink/vanity, kitchen cabinet, medicine cabinet, kitchen sink, sheet vinyl floor covering and faucets—are all connected to either the retrofitting of a kitchen or a bath. Among all those consumers who said they would buy these products over the next year, at least 38% and as many as 49% said they would begin a larger home improvement project, ranging in projected cost from $2,504 to $7,694.

On the other side of the coin, some products do not appear to lead to bigger ticket purchases. For instance, power lawn mowers, which only 6.5% of all households plan to buy next year, found less than 10% of that purchasing group looking to do a DIY project.

However, less than one-quarter of that 6.1% of total households planning to buy a garage door opener—which, at times, is itself connected with the actual construction of a garage or room addition—planned a major project in the coming year to average about $4,000.

Clearly, though, the correlation between those "definitely" planning a major home improvement project, and the likelihood they will purchase specific products illustrates the fact that consumers who are initially looking for a product may be in the market for far more than a cross merchandised item, the study indicated.

Some notes on product categories:

- **Stationary power tools includes drill presses;**
- **Portable power tools encompasses electric drills and saws;**
- **Hand tools: hammers, wrenches, screwdrivers;**
- **Sheet vinyl: linoleum floor covering;**
- **Painting tools: scrappers, putty knives;**
- **Home insulation: Styrofoam, fiberglass rolls.**

What products will be purchased*

Rank	Product	% of U.S. households who might buy in coming year
1	Wall/house paint	46.6%
2	Screws, nuts, bolts	44.4
3	Paint brushes, rollers	40.5
4	Hand tools	28.8
5	Lumber/plywood	25.9
6	Painting tools	19.0
7	Wallpaper	18.0
8	Caulking/sealants	17.9
9	Portable power tools	17.7
10	Garden hose	14.4
11	Interior light fixtures	14.1
12	Electrical wiring, cable	11.6
13	Faucets	11.3
14	Electrical sockets, switches	10.4
15	Ceiling fan	10.3
16	Floor tile	9.5
17	Molding	9.3
—	Sprinkler	9.3
19	Locksets	9.0
20	Home insulation	8.8
21	Plumbing pipes, fittings	8.7
22	Floor covering	8.6
—	Wall paneling	8.6
24	Window blinds	8.3
25	Storm doors, windows	8.0
26	Bathroom sink	7.1
27	Gutter, downspout	7.0
28	Fencing	6.9
29	Roofing	6.7
30	Power lawn mower	6.5
31	Garage door opener	6.1
32	Shower door	6.0
33	Replacement windows	5.9
—	Stationary power tools	5.9
35	Kitchen cabinets	5.1
36	Medicine cabinet	4.7
—	Kitchen sink	4.7
38	Water heater	4.5
39	Ceiling tile	4.1
40	Mirror tile	2.8

*in coming 12 months

Source: *National Home Center News*; Leo J. Shapiro & Assoc. © 1984

• *Lumber and hand tools will be bought by a quarter of America's 85 million households in the coming year; virtually half the nation's households expect to buy paint.*

Product-project correlation

Rank by project plans	Product	"Might buy" rank (40 items)	% of households "Definitely" planning project	Expected expenditure
1	Bathroom sink/vanity	26	49.1%	$ 6,175
2	Kitchen cabinet	35	44.6	7,694
3	Medicine cabinet	36	43.1	7,340
4	Kitchen sink	36	41.9	6,483
5	Sheet vinyl	22	39.2	2,504
6	Faucet	13	38.3	5,963
7	Home insulation	20	38.1	6,423
8	Mirror tile	40	37.7	5,635
9	Electrical wiring	12	37.4	7,685
10	Electrical sockets/switches	14	37.2	4,793
11	Molding	17	36.8	4,608
—	Plumbing/pipes/fittings	21	36.8	7,067
13	Replacement windows	33	36.7	6,039
14	Ceiling tile	39	36.2	5,894
15	Shower door	32	33.0	4,477
16	Int. light fixture	11	30.7	5,614
17	Wall panel	22	30.6	3,840
18	Floor tile	16	29.7	6,450
19	Window blind	24	29.6	7,257
—	Stationary power tools	33	29.6	3,290
21	Roofing	29	28.8	5,788
22	Fencing	28	28.3	2,353
23	Lumber/plywood	5	28.1	3,506
24	Hand tools	4	26.5	5,867
25	Wallpaper	7	26.4	4,097
26	Caulking/sealants	8	25.0	9,015
27	Paint brushes, rollers	3	24.5	6,357
28	Storm door, window	25	24.4	7,058
29	Portable power tools	9	23.8	5,794
—	Garage door opener	31	23.8	4,106
31	Painting tools	6	22.9	5,587
32	Ceiling fan	15	22.7	5,328
33	Wall/house paint	1	22.6	5,692
34	Lockset	19	21.3	3,363
35	Water heater	38	19.7	6,342
36	Sprinkler	17	19.5	5,279
37	Screws, nuts, bolts	2	18.7	7,179
38	Gutter, downspout	27	13.6	11,671
—	Garden hose	10	13.6	2,148
40	Power lawn mower	30	9.7	4,200

Source: *National Home Center News*; Leo J. Shapiro & Assoc. © 1984

• *Behind each planned product purchase is the probability of a major home improvement project. Some products hint at much larger projects than others. Surprisingly, a mirror tile purchase suggests a $5,635 project is in the works.*

NHCN's 1984 Consumer Attitude Survey

See need for better in-store consumer-ed.

Product Buying Anatomy

How good a shopper are you?

All U.S. households — Mean rating 1 = low/9 = high

Rank	Product	Buying confidence
1	Wall paneling	6.74
2	Bathroom sink, vanity	6.65
—	Portable power tools	6.65
4	Wall/house paint	6.45
5	Water heater	6.36
6	Garden hose	6.35
7	Paint brushes/rollers	6.31
8	Hand tools	6.26
9	Caulking/sealants	6.23
10	Faucets	6.18
11	Medicine cabinet	6.17
12	Stationary power tools	6.13
—	Painting tools	6.13
14	Kitchen cabinets	6.08
15	Screws/nuts/bolts	6.06
16	Plumbing, pipe, fittings	6.05
17	Molding	6.03
18	Window blinds	6.00
19	Lumber/plywood	5.98
—	Interior light fixtures	5.98

The high buying confidence level of wall paneling could be the result of customers reliance on their own sight evaluation of the product and previous buying experience.

How good a shopper are you?

All U.S. households — Mean rating 1 = low/9 = high

Rank	Product	Buying confidence
—	Wallpaper	5.98
22	Kitchen sink	5.95
23	Shower door	5.94
24	Fencing	5.92
—	Replacement windows	5.92
26	Storm doors, windows	5.90
—	Ceiling fan	5.90
28	Ceiling tile	5.89
29	Power lawn mower	5.82
30	Garage door opener	5.76
—	Sprinkler	5.76
32	Locksets	5.71
33	Home insulation	5.61
34	Electrical sockets, switches	5.60
35	Sheet vinyl	5.57
36	Floor tile	5.53
37	Mirror tile	5.40
38	Electrical wiring, cable	5.16
39	Gutters, downspouts	5.14
40	Roofing	5.12

Source: *National Home Center News;* Leo J. Shapiro & Assoc. © 1984

Consumers who attach only marginal value on store or brand when they shop generally feel less confident in their ability to make the right buying decision than those shoppers who consider store and brand important to their product selection and purchasing.

In attempting to woo these less confident consumers into their stores, home center retailers, in unison with their suppliers, may need to bolster their stores' product demonstration and consumer education seminar programs to give prospective buyers a better grasp of what is needed to complete a DIY job.

This year's *NHCN* Consumer Attitude Study found most consumers relatively confident about their own shopping acumen. When asked to rate their ability as shoppers, on a scale of one to nine (with nine being the most confident), the average among those households polled in the study was 6.3.

However, their confidence level varied markedly when consumers were asked to assess their shopping ability on a product-by-product basis.

The average buying confidence rate for the 40 products analyzed in the study was 5.95, and it ranged markedly from 6.74 for wall paneling to 5.12 for roofing.

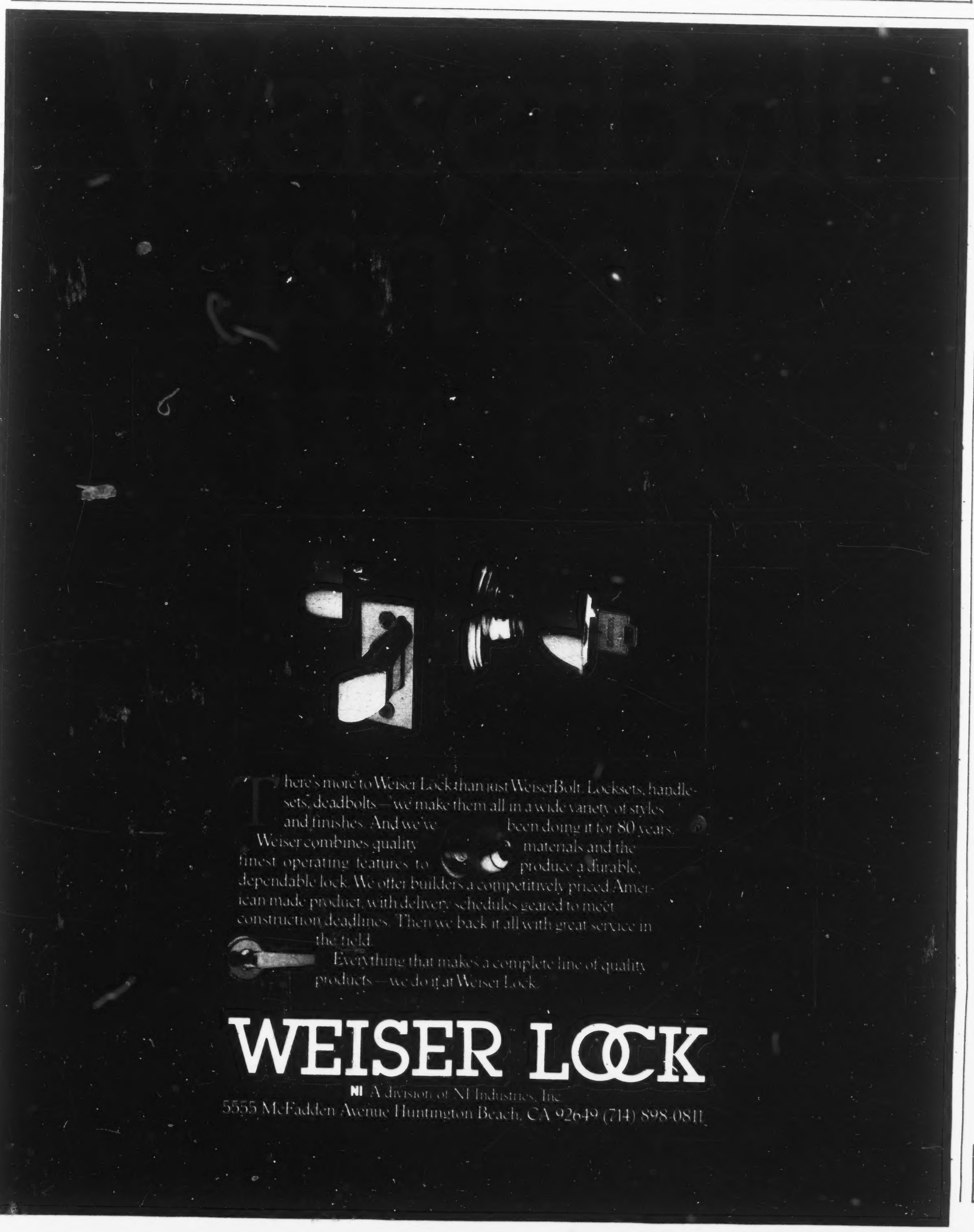
In fact, the study found that four of the six products that ranked at the bottom of the buying confidence chart—mirror tile, electrical wiring, guttering and roofing—were also included in a cluster of 40 products surveyed for which consumers cared little about store or brand importance in their buying.

Conversely, half of the top six products consumers felt most confident about purchasing—portable power tools, wall-/house paint and, notably, water heaters—were also items that were among those where consumers held store and brand in high esteem when buying a product.

This pattern of buying confidence levels aligning with store/brand importance was consistent for virtually all products, with some exceptions: wall paneling, which has a low-store/low-brand quotient, was the highest-ranked among products consumers bought confidently. On the other hand, floor tile, which fell into the high-store/high-brand quadrant, had a mean buying confident rating considerably below the average for all 40 items (5.53).

In the case of wall paneling, which is basically a "customized" commodity, the high buying confidence level could be the result of customers relying so heavily on their own sight evaluation of the product and past purchase experience in judging its quality and worth, rather than on the influence of a store or brand.

While many home centers have very strong paneling programs—Gee Lumber, Payless Cashways, Plywood Minnesota—and several manufacturers are well known in the industry—Abitibi-Price, Champion International, Georgia-Pacific, to name a few—it appears that the customer is more concerned with his own assessment of the product than with who sells it or who makes it and is confident that he will buy the one paneling type he wants.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FINANCIAL NEWS
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NHCN's 1984 Consumer Attitude Survey

Garage openers garner strong brand loyalty

Product Buying Anatomy

How shoppers arrive at buying decisions

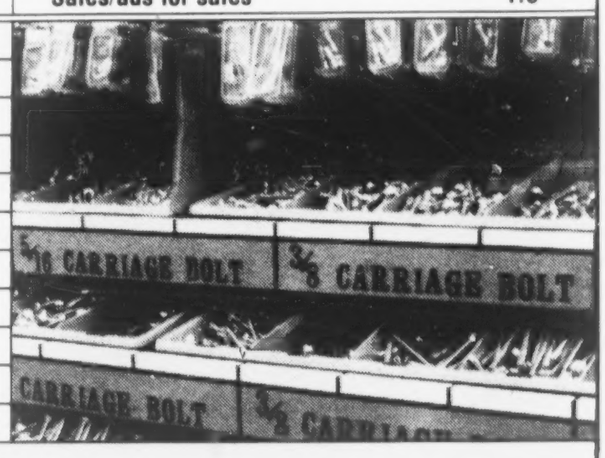
	Locksets	Screws/Nuts Bolts	Garage Door Openers
% of U.S. households who might buy in next 12 mos.	9.0%	44.4%	6.1%
Importance of . . .			
• Brand (mean rating*)	4.49	2.49	5.25
Rank—40 products	10	40	4
• Store (mean rating*)	4.40	4.73	4.29
Rank—40 products	28	18	33
Preference for . . .			
• Brand	43%	8%	55%
• Store	86%	93%	81%
Home center	31%	30%	23%
Hardware	24%	36%	4%
Warehouse	6%	4%	4%
Sears/Dept.	8%	6%	33%
Discount	7%	11%	10%
Specialty	6%	4%	4%

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

What people look for when buying:

LOCKSETS		SCREWS/NUTS/BOLTS	
Safety features	25.4%	Size/length	26.3%
Sturdy craftsmanship	24.9	Value/price	18.7
Durability	16.0	Quality	15.8
Looks/style	14.2	Mat'l: stainless steel	10.5
Quality	13.6	Selection/variety	5.8
Brand names	8.9	Brand names	4.7
Size/fit	4.7	Rustproof	4.1
Metal/heavy	4.7	Sturdy craftsmanship	2.9
Value/price	4.1	Durability	2.3
Selection/variety	2.4	Sales/ads for sales	1.8
GARAGE DOOR OPENERS			
Quality	19.7%		
Durability	18.4		
Size of motor	18.4		
Brand names	17.1		
Ease of opening	14.5		
Sturdy craftsmanship	13.2		
Vaue/price	13.2		
Guarantee	6.6		
Safety features	5.3		
Looks/style	3.9		



Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Consumers buying fasteners look at size, price and quality before buying, and an almost equal number of customers planning to purchase locksets said its safety features or sturdy construction would affect their buying decision.*
- *Hardware stores continue to give home centers stiff competition when selling fasteners and locksets, while Sears might capture as much as 10 percentage points more garage door opener sales than home centers in the coming year.*

Close to half American households state they plan to purchase, over the coming year, at least some quantity of screws, nuts and bolts—merchandise that is used in a broad range of home improvement projects.

At the same time, about 1 out of 10 households plans to purchase locksets, while some 6% plan to purchase garage door openers.

A Consumer Attitude Survey, recently completed by *National Home Center News*, also found that consumers felt a name brand was extremely important to their buying decision for garage door openers, perhaps because the product's electronic nature demands a dependable vendor. In terms of brand importance, garage door openers received a mean rating of 5.25 on a sale of 1 to 9, ranking fourth of 40 products surveyed.

On the same ranking scale, locksets fell into 10th place while fasteners ended up at the bottom, indicating brand names in fasteners make little difference to consumers.

Over half the consumers surveyed preferred specific brands for their garage door openers.

Consumers did not seem to feel that the store from which these products were purchased held as much importance as other factors in the buying decision. Both locksets and garage door openers, with their strong brand identities, fell into the bottom half of a scale of 40 products in terms of store importance. However, fasteners received a mean rating of 4.73 in terms of store importance, positioning them higher on the scale, perhaps because stores offer varying levels of depth of stock.

In all three categories, consumers stated they had specific preferences concerning what stores they would patronize. Home centers were specified by 1 out of 3 as preferred sources for locksets and fasteners, and by nearly 1 out of 5 as preferred sources for garage door openers.

Warehouse stores were specified as preferred sources by only about 1 out of 20 consumers for all three categories, while hardware stores made stronger showings than any other categories of stores for fasteners.

Home centers battle for share of tool market

Consumers look to home centers only sporadically when they plan to purchase tools, and those stores appear to have their work cut out for them in making bigger gains in market share on these products.

About one-quarter of those households which are probably going to buy painting tools (putty knives, sandpaper, masking tape) will do so in home centers, and nearly 20% of all consumers planning a tool purchase will shop these outlets.

However, another 25% of the painting tool customers plan to go to a hardware store, as do 3 out of every 10 hand tool buyers. In addition, home centers take a back seat to Sears as the place to shop for stationary tools, portable power tools and hand tools, with nearly half of those customers planning to buy stationary equipment gravitating toward Sears'.

A surprisingly high percentage of households are also turning to specialty outlets for stationary tools and painting tools. Specialty outlets like Standard Brands and Color Tile are getting about 13% of the prospective painting tool market.

That Sears can command such a high percentage of the tool market's sales is a reflection of the continuing respect customers have for that company's "Craftsman" brand name, which connotes quality, durability and, on hand and power tools, a lifetime guarantee.

Other data contained in this year's *NHCN* Consumer Attitude Survey showed that almost half of all potential tool customers, when asked about what characteristics they looked for in a tool, named "quality" (stationary equipment), "sturdiness" (hand tools), and "brand name" (portable power tools). Painting tool shoppers were evenly split between "quality" and "price/value" in their buying decision, with about one-fifth of the prospective consumers identifying each characteristic.

This information becomes increasingly interesting when it is compared with the value consumers place on store and brand importance and preference when buying a tool. All the consumers said they preferred to shop a particular store when buying all these products.

However, while brand preference and importance play a critical role for stationary and portable power tool buyers, brand is less significant for hand tool consumers and those thinking of buying painting tools, with less than a quarter of the latter consumer group showing any brand preference at all.

Who makes the product may not mean as much to them as where it is sold. Consequently, chains like Sears that are able to capitalize on both brand and store recognition with consumers appear to be the ones that will capture a good chunk of this tool market in the future.

Product Buying Anatomy

What people look for when buying:

STATIONARY TOOLS		HAND TOOLS	
Quality	24.1%	Sturdy craftsmanship	24.8%
Durability	23.1	Brand names	23.9
Brand names	21.3	Quality	23.1
Guarantee	14.8	Durability	16.2
Value/price	13.9	Value/price	12.0
Sturdy craftsmanship	13.0	Size/fit	6.0
Powerful	9.3	Comfortable to use	4.3
Safety features	2.8	Selection/variety	3.4
Mat'l: fiberglass	2.8	Guarantee	2.6
Looks: style	1.9	Versatile	2.6
PORTABLE POWER TOOLS		**PAINTING TOOLS**	
Brand names	32.0%	Quality	22.9%
Durability	22.7	Value/price	22.9
Quality	18.8	Durability	17.9
Guarantee	16.4	Sturdy craftsmanship	15.7
Value/price	15.6	Size	7.1
Sturdy craftsmanship	12.9	Brand names	6.4
Horsepower	10.2	Selection/variety	3.6
Safety features	4.3	Easy to clean	2.9
Size	4.3	Safety features	0.7
Versatile	3.5	Guarantee	0.7

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

How shoppers arrive at buying decisions

	Stationary Tools	Hand Tools	Portable Power	Painting Tools
% of U.S. households who might buy in next 12 mos.	5.9%	28.8%	17.7%	19.0%
Importance of . . .				
• Brand (mean rating*)	7.04	4.93	6.53	3.89
Rank—40 products	1	6	2	16
• Store (mean rating*)	5.94	5.38	5.64	4.70
Rank—40 products	1	5	3	19
Preference for . . .				
• Brand	76%	51%	79%	24%
• Store	94%	95%	91%	94%
Home center	21%	21%	19%	25%
Hardware	6%	30%	21%	25%
Warehouse	2%	3%	3%	3%
Sears/Dept.	47%	29%	30%	17%
Discount	4%	6%	10%	8%
Specialty	11%	5%	3%	13%

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Consumers of stationary, hand and portable power tools place remarkably high importance on brand and store when they shop.*
- *A combination of sturdy craftsmanship, quality and brand names is what consumers want in hand tools, with the latter two characteristics—along with durability—forming the basis for consumer buying habits toward stationary equipment.*

NHCN's 1984 Consumer Attitude Survey

Home centers outdistance lumber competitors

Product Buying Anatomy

How shoppers arrive at buying decisions

	Paneling	Molding	Lumber/Plywood
% of U.S. households who might buy in next 12 mos.	8.6%	9.3%	25.9%
Importance of . . .			
• Brand (mean rating*)	3.36	3.01	3.08
Rank—40 products	23	31	29
• Store (mean rating*)	4.69	4.32	5.10
Rank—40 products	20	31	7
Preference for . . .			
• Brand	12%	0%	10%
• Store	77%	92%	90%
Home center	49%	55%	56%
Hardware	4%	11%	5%
Warehouse	6%	11%	12%
Sears/Dept.	—	2%	1%
Discount	1%	—	1%
Specialty	1%	2%	1%

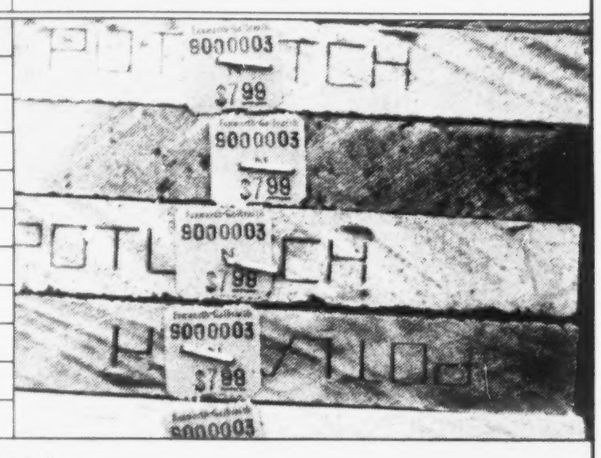
*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

What people look for when buying:

WALL PANELING		MOLDING	
Look/style	38.8%	Looks/style	38.2%
Wood	25.6	Quality	19.1
Quality	24.0	Wood type	14.7
Value/price	17.4	Value/price	4.4
Thickness	14.0	Durability	4.4
Durability	9.1	Guarantee	1.5
Sturdy craftsmanship	7.4	Size/fit	1.5
Texture	7.4	Don't know/not answering	30.9
Finish	5.0		
Easy to clean	5.0		

LUMBER/PLYWOOD	
Quality	65.7%
Value/price	19.1
Looks/style	6.2
Type of wood/oak	5.6
Sturdy craftsmanship	5.1
Durability	3.9
Thickness/size	3.9
Brand names	1.7
Selection/variety	1.1
Don't know/not answering	15.2



Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Prospective buyers for paneling, molding, lumber and plywood show virtually no brand preference, but at least half said they would be shopping a home center when they purchased these products.*
- *Shoppers want "looks and style" when buying paneling or molding, with quality and whether it is made of wood also being important to paneling buyers.*

Over one-fourth of American households plan to purchase lumber or plywood over the coming year, while close to 1 out of 10 plan purchases of paneling and molding.

In none of these three categories do consumers exhibit much preference for specific brands. Only 1 out of 10 consumers interviewed for a recent Consumer Attitude Survey exhibited brand preferences for lumber, plywood or paneling. And virtually no one had specific brand preferences for molding.

While consumers did not have specific brands in mind while planning their shopping, they nevertheless felt that brand would be somewhat important in their consideration for products where looks, style and quality can vary by vendor. On a scale of one to nine, consumers valued the importance of brand name by giving them mean ratings of 3.01 to 3.36, for the three product categories.

In contrast, consumers felt that the choice of stores was very important in purchasing lumber and plywood. A mean ranking of 5.10 as to store importance in the purchase of these commodities ranked these items of merchandise seventh out of 40 major home improvement products.

Most consumers seem to know what store they prefer to patronize for all these products. Some 9 out of 10 shoppers have definite stores in mind when they plan their purchases of lumber, plywood and molding. And over three-fourths have definite sources of supply for paneling.

About half of the consumers interviewed said that home centers were their preferred sources for paneling, while other types of stores captured only small portions of the vote. Over half of the consumers also chose home centers as their preferred sources for the other product categories. Additionally, about 1 out of 10 shoppers selected hardware stores as their preferred sources for molding, and warehouse stores as preferred sources for either molding or lumber/plywood.

About 2 out of 5 shoppers named "looks and style" as the most important considerations for the purchase of wall paneling and molding. About one-fourth of the shoppers said that "real wood" was an important buying consideration for paneling.

For lumber and plywood, however, "quality" was by far the No. 1 criterion for purchase, being selected by some 66% of shoppers.

Wall cover sales rest on courting middle aged

Consumers buying wallpaper, paint and paint sundries in the next 12 months will attach a relatively high degree of importance to both brand and the store they'll shop in arriving at their buying decisions.

Retailers selling merchandise to these customers will most likely find a somewhat older buying group that may not be completely familiar with what a home center is or has to offer. But it will be incumbent upon these dealers to attract as many of these customers into their stores as possible

Two out of every 5 households in the United States plan to purchase a paint brush over the next 12 months, and nearly half said they would be buying wall or house paint. About 20% were also anticipating the purchase of both caulking and wallpaper.

However, these consumers, for the most part, were less able to pinpoint exactly what they were looking for when they bought this merchandise than were consumers buying other product groups listed in this year's Consumer Attitude Study. For instance, 14% of those consumers planning to buy caulking said quality would be the primary characteristic they sought, but another 14% said "durability," 12% said "value/price," and 11.4% said "the materials it is made of."

Nearly half of those planning to buy wallpaper were looking for "looks/style" in their products; more than one-third of prospective paint brush and roller buyers wanted quality, but another quarter price would dictate their purchases. And while the highest percentage of paint customers will be looking for quality products, many potential customers also want durability and ease of cleaning.

This uncertainty is compounded by the fact that, unlike other product groups, decorative products don't have the same level of allegiance to brand among consumers, and store preference is also somewhat spotty.

With the exception of paint, which ranked third among all 40 products in the study for importance of brand, the name on a product plays a relatively insignificant role for consumers buying such decorative merchandise.

It appears the store at which these products are sold could be the salient factor in a consumer's buying decision, even though store preference was unusually low for wallpaper

Consequently, it behooves the dealer to play up his store's profile when selling these items, something that home centers have done only fitfully, on the basis of the study's analysis.

That home centers are a less-significant factor in decorative products than other lines of merchandise is something that has been borne out in other studies, such as the 1983 Baseline Study of the DIY Consumer done by the DIY Institute (*NHCN*, Feb. 14, 1983).

Product Buying Anatomy

What people look for when buying:

PAINT BRUSHES		WALL HOUSE PAINT	
Quality	35.2%	Quality	44.6%
Value/price	26.4	Durability	24.2
Mat'l/nylon	22.0	Easy to clean	23.7
Durability	12.6	Looks/style	19.4
Size/width	12.6	Value/price	14.0
Sturdy craftsmanship	4.4	brand names	13.4
Sales/ads	4.4	Latex in it	7.0
Easy to clean	3.8	Guarantee	4.8
Brand names	3.1	Waterproof/weatherproof	3.2
Looks/style	2.5	Oil base	2.2
CAULKING/SEALANTS		**WALLPAPER**	
Quality	14.3%	Looks/style	48.0%
Durability	13.6	Washable	24.0
Value/price	12.1	Quality	15.2
Mat'l: silicone	11.4	Prepasted/easy to put on	14.4
Brand names	9.3	Durability	11.2
Adhesion	9.3	Mat'l: vinyl/fabric	10.4
Pliability	8.6	Value/price	8.8
Ease of application	7.9	Sturdy craftsmanship	4.8
Weatherproof/waterproof	5.7	Brand names	3.2
Sturdy craftsmanship	2.9	Stripable	2.4

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

How shoppers arrive at buying decisions

	Paint Brushes	Wall House Paint	Caulking Sealants	Wallpaper
% of U.S. households who might buy in next 12 mos.	40.5%	46.6%	17.9%	18.0%
Importance of . . .				
• Brand (mean rating*)	3.11	5.59	4.14	3.46
Rank—40 products	28	3	14	20
• Store (mean rating*)	5.60	5.72	4.81	4.91
Rank—40 products	4	2	13	12
Preference for . . .				
• Brand	13%	58%	31%	14%
• Store	93%	90%	89%	75%
Home center	28%	15%	41%	15%
Hardware	24%	14%	19%	4%
Warehouse	4%	2%	9%	1%
Sears/Dept.	13%	23%	2%	4%
Discount	10%	4%	6%	—
Specialty	11%	27%	5%	43%

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Consumers place a premium on quality when shopping for paint, and want looks and style in the wallpaper they buy.*
- *A large percentage of United States households plan to buy decorative products over the next year. But home centers will have to fight hard for this business, as specialty stores, Sears and even hardware outlets appear to be preferred*

NHCN's 1984 Consumer Attitude Survey

Exterior shoppers show wide ranging attitudes

Product Buying Anatomy

How shoppers arrive at buying decisions

	Gutters/ Downsprouts	Roofing	Storm Doors/ Windows	Replacement Windows
% of U.S. households who might buy in next 12 mos.	7.0%	6.7%	8.0%	5.9%
Importance of . . .				
• Brand (mean rating*)	2.93	3.45	4.05	3.02
Rank—40 products	32	22	15	30
• Store (mean rating*)	4.08	4.48	5.00	4.80
Rank—40 products	39	27	9	15
Preference for . . .				
• Brand	7%	11%	16%	15%
• Store	69%	62%	81%	68%
Home center	42%	32%	35%	36%
Hardware	3%	15%	5%	17%
Warehouse	6%	3%	5%	6%
Sears/Dept.	11%	—	14%	2%
Discount	—	—	3%	—
Specialty	3%	3%	10%	6%

*1 = low/9 = high

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

What people look for when buying:

GUTTERS/DOWNSPOUTS		ROOFING	
Aluminum/steel	27.1%	Quality	21.1%
Durability	16.9	Durability	16.7
Quality	13.6	Thickness	12.1
Value/price	10.2	Looks/style	10.6
Rust proof	10.2	Guarantee	10.6
Plastic not metal	8.5	Sturdy craftsmanship	7.6
Sturdy craftsmanship	5.1	Value/price	6.1
Guarantee	5.1	Fiberglass/looks like wood	6.1
Looks/style	3.4	Brand names	4.5
Brand names	1.7	Interlocking	3.0
STORM DOORS/WINDOWS		**REPLACEMENT WINDOWS**	
Sturdy craftsmanship	29.3%	Double pane of glass	25.5%
Insulation/double pane	22.0	Value/price	17.3
Quality	14.6	Quality	13.3
Durability	13.4	Size/fit	12.2
Made of aluminum	13.4	Looks/style	10.2
Looks/style	9.8	Mat'l wood/metal	10.2
Size/fit	9.8	Sturdy craftsmanship	9.2
Safety features	6.1	Brand names	7.1
Self contained door	6.1	Durability	5.1
Brand names	2.4	Easy to install	5.1

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *Those consumers planning to buy exteriors this year show relatively low brand and store preference.*
- *The construction and material design of exterior products plan a more important role than any other characteristic—except "quality" for roofing—affecting a consumer's buying decision.*

Home center retailers selling exterior products can expect modest sales over the next year from a widely diverse group of prospective consumers, who in most cases pay little attention to either brand name or store in their buying habits.

The challenge for home center retailers, who thus far have done a good job in marketing these products, will be to devise merchandising and promotional programs that cater to a consumer universe that, in many respects, defies definition.

Over one fifth of those customers who plan to buy gutters or downspouts over the next 12 months are retired, and more than 2 out of every 5 customers of replacement windows, gutters, and roofing are over 45 years old.

On the other hand, nearly 30% of those consumers who will purchase storm doors and windows during this period are under 30, though the greatest percentage—40.2%—are between 31 and 44.

In all cases, these consumers have a specific characteristics in mind when they shop these products, far more so than buyers in other product sectors: for example, more than a quarter of those planning to buy guttering, the highest percentage of this group, said that the product had to be made of aluminum or steel, and not plastic, before they would purchase it; about the same percentage of consumers buying replacement windows said the product needed to have double-paned glass, and for storm door and window shoppers, durability and insulated construction would be the most important factors.

Only among roofing buyers was the most nebulous term "quality" listed as the most important product feature.

On the whole, these products will be bought by 8% or less of total United States households in the coming year. But, as is noted elsewhere in this year's *National Home Center News* Consumer Attitude Study, the probability of product sales sometimes masks potential for bigger ticket purchases. For instance, of those consumers planning to buy replacement windows, only 5.9% of the total, 36.7% plan to "definitely" begin a major DIY project they estimate will cost $6,038.

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WOOD WINDOWS AND PATIO DOORS

NHCN's 1984 Consumer Attitude Survey

Buyers unresponsive to energy brand names

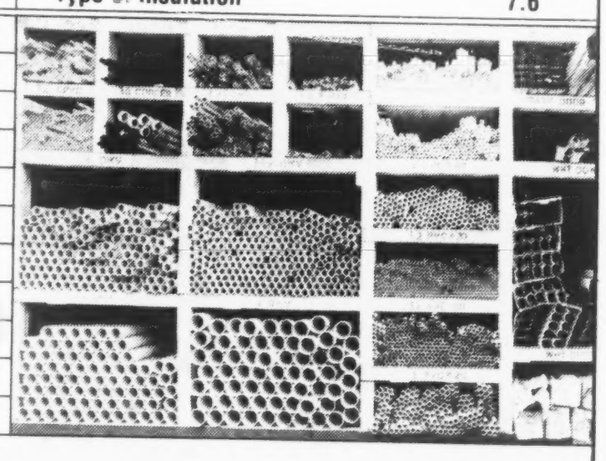
Product Buying Anatomy

What people look for when buying:

PLUMBING, PIPES, FITTINGS	
Mat'l: copper/bronze	45.6%
Value/price	10.5
Durability	10.5
Quality	8.8
Size needed	8.8
Brand names	7.0
Sturdy craftsmanship	3.5
Guarantee	1.8
Selection/variety	1.8
Don't know/not answering	19.3

WATER HEATERS	
Capacity/size	47.0%
Guarantee	28.8
Energy efficient	16.7
Value/price	12.1
Quality	10.6
Glass lining	10.6
Sturdy craftsmanship	9.1
Durability	7.6
Brand names	7.6
Type of insulation	7.6

INSULATION	
Thickness	27.4%
Value/price	20.4
Heat saved	13.3
Fiberglass	13.3
Quality	7.1
Brand names	7.1
Safety features	6.2
Rolls of insulation	6.2
Durability	3.5
Guarantee	2.7



Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

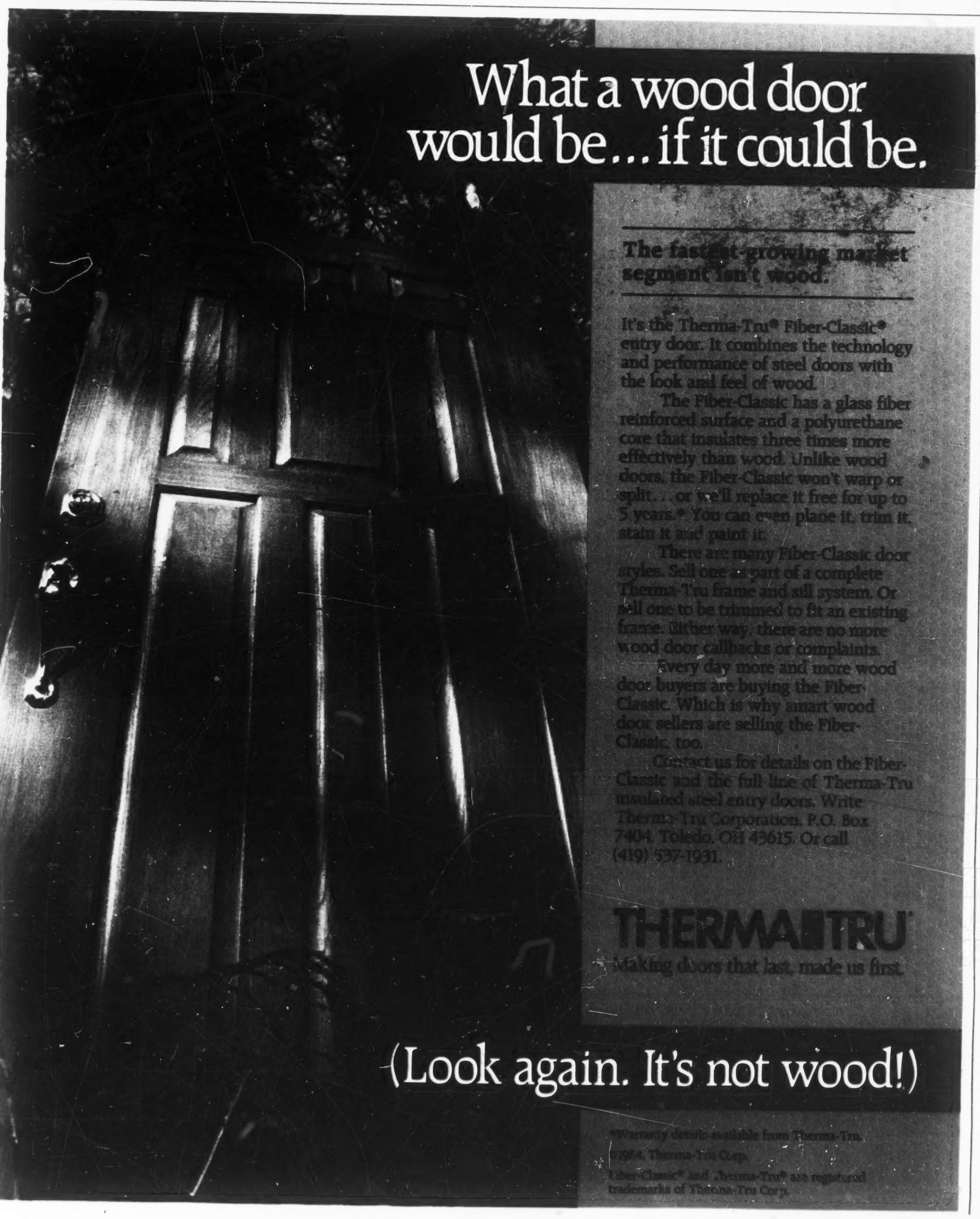
How shoppers arrive at buying decisions

	Plumbing/Pipe	Water Heaters	Insulation
% of U.S. households who might buy in next 12 mos.	8.7%	4.5%	8.8%
Importance of . . .			
• Brand (mean rating*)	3.21	4.61	3.78
Rank—40 products	27	8	17
• Store (mean rating*)	4.91	5.09	4.17
Rank—40 products	11	8	36
Preference for . . .			
• Brand	19%	33%	33%
• Store	86%	74%	70%
Home center	33%	17%	34%
Hardware	26%	9%	10%
Warehouse	2%	—	4%
Sears/Dept.	5%	26%	7%
Discount	2%	6%	3%
Specialty	5%	14%	3%

*1 = low/9 = high

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

- *Nearly half of the prospective water heater buyers look at the unit's size/capacity before buying while, for plumbing purchasers, the product s material makeup is most important. More than a quarter of those looking to buy insulation evaluate its thickness, and another 20% compare price.*
- *Consumers place only modest importance on brands when shopping plumbing and insulation, and they prefer to buy these items in a home center than other retail outlets.*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One third of the households planning to buy either plumbing fittings and pipe or home insulation this year will do so in a home center. But despite heavy and constant promotional efforts, consumers don't seem to be flocking to home centers to buy out water heaters.

Less than 5% of all United States households said they planned to buy a hot water heater over the next 12 months, although most retailers agree that the ultimate size of this product's sales market is virtually never determined by planning: people buy heaters when their old ones break down. The 9% of those households that will purchase either plumbing or insulation, which are more discretionary in their installation, is perhaps a more accurate reflection of how big the market for these products might be.

It should also be noted that this year's *National Home Center News* Consumer Attitude Study correlated product buying incidence with a customer's probable DIY home improvement activity, and found that nearly 40% of those planning to buy home insulation would "definitely" begin a major home improvement project this year, and spend in excess of 6,400, indicating that retailers could be remiss to downplay this category in their store's merchandising selection.

It is hard, though, to gauge just how much a store's marketing actually affects the sale of these products, as consumers buying water heaters and insulation show relatively little store preference, and the importance of a store in an insulation buyer's buying decision ranked fifth from the bottom among 40 products on the study.

Brand name merchandising has even less effect on these consumers. Water heater buyers—most probably those who are shopping at Sears—appear to put brand high on their list of things that determine what and where they buy. But consumers of the other two product categories appear less fazed by what name is associated with the products.

Where consumers will shop for these products, then, is more of a crap shoot for dealers than they face with most other products, where customer loyalties to store or brand are more clearly defined.

NHCN's 1984 Consumer Attitude Survey

Looks and style head list of decorative criteria

"Looks and style" are by far the most important criteria—more than value, quality and brand—sought by consumers buying such decorative accessories as window blinds, ceiling tile, floor tile, mirror tile and vinyl sheeting.

Close to 10% of United States households stated they planned to make a purchase of floor tile over the coming year, according to a new *National Home Center News* Consumer Attitude Survey. About 9% of United States households said they planned to purchase sheet vinyl and window blinds, 4% said they planned to buy ceiling tile and 3% said they planned to buy mirror tile.

As for the importance of brand name in the purchasing decision, consumers said brand was more important for floor tile, sheet vinyl and window blinds, and far less important to the buying decision for ceiling tile and mirror tile. Home centers may well conclude that promoting appearance rather than brand for the last two categories makes the most sense.

Consumers had a specific brand in mind half the time for sheet vinyl, and about a third of the time for the other categories except mirror tile, where a specific brand was mentioned by only 6% of those likely to buy the product.

As for the importance of the store when making a selection, only in the case of floor tile did consumers seem to feel the retailer selected made a significant difference to their buying decision. This may reflect the fact that stores stock various levels of depth for the product.

Close to 4 out of 5 households likely to buy the item already had specific stores in mind when they planned their shopping for floor tile and sheet vinyl. And, despite the fact that store selection was not seen as an important shopping criterion by consumers of ceiling tile and mirror tile, 9 out of 10 already knew what store they would patronize for these products.

A full half of consumers specified home centers as their preferred store to purchase mirror tile; 47% said they would prefer to purchase ceiling tiles at such stores.

However, only 10% of consumers said they would prefer to purchase window blinds at home centers; while about 30% said they would rather patronize department stores.

Again, only 17% said they would prefer to buy floor tile at home centers, while 30% said they would rather go to specialty stores.

The survey showed that mirror tile appeals to a younger shopper than do products in the other four categories. About 38% of those saying they would purchase mirror tile were under 30, while only 19% were over 45.

For the other product categories; 30% to 38% were over 45. Only 13% to 21% were under 30 who planned to purchase floor and ceiling products. For window blinds, 35% of the consumers planning a purchase were under 30.

Product Buying Anatomy

How shoppers arrive at buying decisions

	Ceiling Tile	Mirror Tile	Window Blinds	Floor Tile	Sheet Vinyl
% of U.S. households who might buy in next 12 mos.	4.1%	2.8%	8.3%	9.5%	8.6%
Importance of . . .					
• Brand (mean rating*)	3.36	2.66	4.31	4.53	4.37
Rank—40 products	24	37	13	9	12
• Store (mean rating*)	4.38	3.77	4.31	5.31	4.10
Rank—40 products	29	40	32	6	38
Preference for . . .					
• Brand	30%	6%	31%	33%	49%
• Store	91%	100%	68%	77%	77%
Home center	47%	50%	10%	17%	32%
Hardware	13%	9%	2%	6%	9%
Warehouse	6%	14%	5%	4%	6%
Sears/Dept.	9%	9%	29%	9%	7%
Discount	3%	14%	5%	—	—
Specialty	9%	5%	10%	30%	21%

*1 = low/9 = high

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

• Consumers were asked if they planned to buy each of the 40 products tracked in this year's Consumer Attitude Study, and those that did rated store and brand preference to their purchasing decisions on a scale of one to nine. The study also charted the percentage of consumers with preferences for a product's brand name or where it would be shopped.

Survey findings spell out buying decision ingredient

How old is the average consumer looking to buy a bathroom sink? (Two-thirds are under age 45, and one-fifth are under age 30.)

How likely is it that a bathroom sink buyer will take on a major project this year? (Virtually 50% of households buying a bathroom sink this year "definitely" plan a major project in the next 12 months . . . and plan to spend an average of $5,315.)

How important is brand? Do consumers prefer one brand over another? Which one? (On a scale of one to nine, consumers say brand rates 3.46 in importance—nine would be most important—and 24% of the households in the market say they have a preference.)

These and other specific answers are part of a 241-page summary of product data that spells out the ingredients that go into the buying decisions among consumers in the market for 40 selected home improvement products, on a product by product basis.

The product analysis summary, which is part of the larger study conducted for *National Home Center News* by Leo J. Shapiro & Associates on consumer shopping trends, is broken down, by product, into six summary tables showing:

• **Buying incidence, shopping confidence, importance of store and brand in the buying decision:** This table states the percentages of those United States households likely to buy the product in question over the next 12 months. Among those with those plans, the table describes the level of his or her confidence in their ability to buy merchandise.

The shoppers were then asked to evaluate the relative importance of the store and brand in their buying decisions, and their responses are broken down by percentages into three groups, "very important," "in-between," and "not so important."

The mean averages, on a 1-to-9 scale, are given for shopping confidence, as well as store and brand importance.

• **Store preference:** This table shows a consumer's preference for shopping one store over another when he or she purchases a product and, among those with preferences, the popularity of department stores, discount stores, hardware stores, home centers, home improvement warehouses and specialty outlets is assessed.

• **Brand preference:** This table examines whether prospective buyers harbor any brand preferences when they shopped, and if so, which brands they favored.

The tables list the unaided responses consumers gave about which brands they favored, yielding some interesting results. In several cases, the brands mentioned simply don't exist, an indication that consumers may not be fully cognizant about what is on the market, or are less affected by advertising than dealers or suppliers think.

• **Product features and performance characteristics:** Consumers planning to buy any of the 40 products in the study were asked to list what features and "performance" characteristics they sought when shopping an item. These ranges from "quality," to "durability," to price and value, with some consumers also pointing to the "looks and style" of a product, or its size, thickness, installation ease and even material makeup as factors that play a role in a customers buying habits.

• **Associated project plans and spending:** This table in the entire study correlates a prospective product purchase with that buyer's propensity for engaging in a major DIY project, breaking out by percentage, whether a customer will "definitely," "maybe" of "definitely not" tackle a major project in the coming 12 months; how much they expect to spend; whether they will do all of the work, or hire someone else to do all or part of the work. Respondents were also asked to estimate how much they have spent for total home improvement expenditures during the past year.

• **Demographic characteristics of the buyer:** The last table gives the reader demographic insights into the buyers of each product category, from the number of people in the household to how many children they have living in that residence.

Product Buying Anatomy

What people look for when buying:

CEILING TILE		MIRROR TILE	
Looks/style	31.9%	Looks/style	60.4%
Quality	21.3	Quality	17.0
Value/price	17.0	Value/price	11.3
Durability	10.6	Adhesion to wall	9.4
Thick for insulation	10.6	Durability	7.5
Sturdy craftsmanship	8.5	Gauge	7.5
Easy to put up	8.5	Sturdy craftsmanship	3.8
Brand names	6.4	Don't know/not answering	22.6
Texture/smooth finish	6.4		
Selection/variety	2.1		
FLOOR TILE		**SHEET VINYL/FLOOR COVERING**	
Looks/style	29.7%	Looks/style	32.9%
Durability	20.3	Durability	31.6
Easy to clean/no wax	20.3	No wax	29.1
Value/price	17.2	Quality	16.5
Quality	12.5	Value/price	12.7
Brand names	10.9	Brand names	11.4
Sturdy craftsmanship	3.1	Sturdy craftsmanship	10.1
Waterproof	3.1	Guarantee	1.3
Guarantee	1.6	Don't know/not answering	22.8
Size	1.6		
WINDOW BLINDS			
Looks/style	46.9%		
Value/price	13.6		
Keeps room dark	12.3		
Durability	11.1		
Material	11.1		
Quality	7.4		
Sturdy craftsmanship	6.2		
Easy to clean	4.9		
Brand names	3.7		
Selection/variety	1.2		

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

• More than 60% of those households planning to buy mirror tile in the next year will base their buying decision on the product's looks and style, as will about 3 out of every 10 buyers of ceiling tile, floor tile and vinyl floor covering. In the last product group, consumers judged durability and a "No Wax" finish as being equally important to their choice of product.

NHCN's 1984 Consumer Attitude Survey

Quality not only factor in electrical, ceiling fans

Product Buying Anatomy

How shoppers arrive at buying decisions

	Interior Light Fixtures	Electric Sockets/ Switches	Electric Cable/Wire	Ceiling Fans
% of U.S. households who might buy in next 12 mos.	14.1%	10.4%	11.6%	10.3%
Importance of . . .				
• Brand (mean rating*)	3.36	2.85	2.75	4.39
Rank—40 products	25	34	35	11
• Store (mean rating*)	4.79	4.27	4.11	4.97
Rank—40 products	16	34	37	10
Preference for . . .				
• Brand	11%	16%	6%	32%
• Store	67%	83%	69%	80%
Home center	24%	30%	29%	24%
Hardware	6%	19%	9%	14%
Warehouse	4%	2%	9%	4%
Sears/Dept.	9%	13%	3%	12%
Discount	6%	8%	2%	6%
Specialty	10%	6%	10%	18%

*1 = low/9 = high

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

What people look for when buying:

INTERIOR LIGHT FIXTURES		ELECTRIC SOCKETS/SWITCHES	
Looks/style	43.2%	Safety features	15.1%
Value/price	15.8	Value price	10.5
Quality	14.9	Quality	9.3
Sturdy craftsmanship	6.1	Looks style	8.1
Guarantee	6.1	Size amps	8.1
Durability	5.3	Brand names	7.0
Brand Names	5.3	Guarantee	5.8
Mat'l made of	4.4	Sturdy craftsmanship	4.7
Safety features	3.5	Durability	3.5
Size	1.8	Other	2.3
ELECTRIC CABLE/WIRE		**CEILING FANS**	
Safety features	16.5%	Looks style	39.1%
Guarantee	14.3	Different speeds	29.1
Quality	11.0	Value price	16.4
Size/thick insulation	11.0	Size fits room	14.5
Value/price	9.9	Has a light	10.9
Durability	4.4	Quality	10.0
Sturdy craftsmanship	3.3	Guarantee	10.0
Looks/style	3.3	Sturdy craftsmanship	9.1
Mat'l made of	3.3	Brand names	8.2
Brand names	2.2	Mat'l made of	8.2

Source: *National Home Center News*, Leo J. Shapiro & Assoc. 1984

- *At least one-quarter of all probable electricals buyers will shop a home center over the next year, even though store preference is soft among interior lighting and electrical wiring consumers.*
- *Prospective buyers of ceiling fans or interior lighting will demand esthetic stylishness when purchasing these items.*

About 1 out of every 10 households in the United States plan to purchase electrical goods in each of the categories of interior light fixtures, electric sockets/-switches, electric cable/wire, and ceiling fans over the coming year, according to a new *National Home Center News* Consumer Attitude Survey.

Among a range of electrical goods, consumers stated that brand names are relatively important to their buying decision for ceiling fans, giving that product a mean rating of 4.39 out of on a scale of one to nine (where nine is most important). Out of a total of 40 major home improvement products, ceiling fans ranked 11th in terms of brand importance in the buying decision.

In comparison, somewhat more commodity-oriented electrical products such as light fixtures, sockets, and cable lead consumers to rank them on the same scale as 25th, 34th, and 35th, respectively.

Few households, though, have a real preference for a specific brand.

That home centers may have an opportunity for private labeling or for educating the public about brand quality is reflected in the fact that only a third of consumers have a specific brand in mind when they go shopping for ceiling fans, despite the fact they feel brand name is especially important for that product.

At the same time, consumers feel the store from which they purchase ceiling fans is an important consideration, giving that criterion a mean ranking of 4.97, positioning the product 10th on a scale of 40 major items. Further, eight of 10 consumers reported they do have a specific store in mind when they shop for ceiling fans. However, only a fourth of the consumers specified home centers as those preferred stores, showing that ceiling fans have made smaller but healthy inroads at hardware, specialty and department stores.

Of the other three categories, only "interior light fixtures" was given a mean rating that put it in the top 20 list of products ranked in terms of the importance of store.

Consumers said "looks and style" was the most important criterion for purchasing ceiling fans and interior light fixtures.

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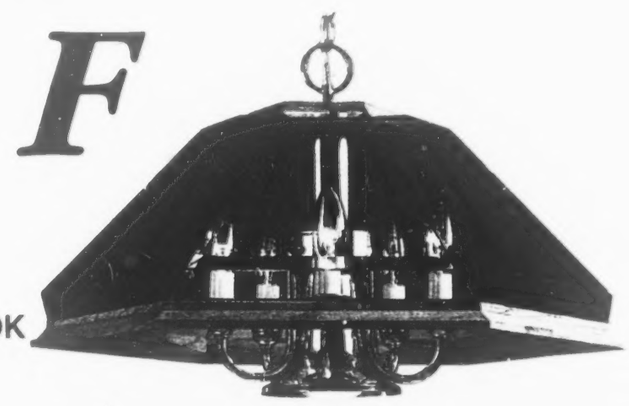
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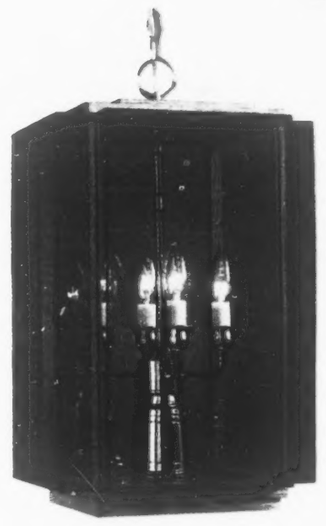
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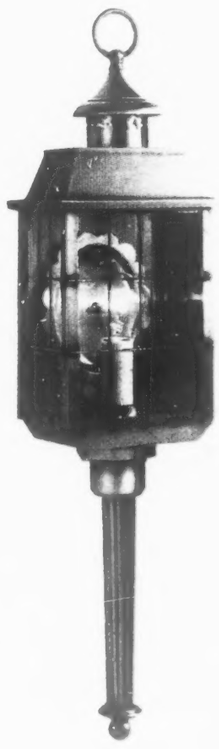
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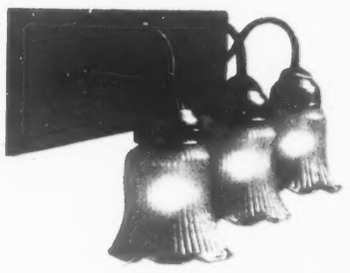
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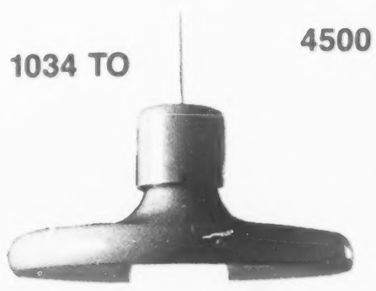
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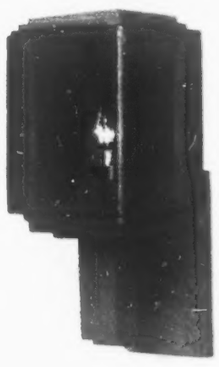
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NHCN's 1984 Consumer Attitude Survey

Brand faucet promotions best kitchen tack

Product Buying Anatomy

How shoppers arrive at buying decisions

	Kitchen Cabinets	Kitchen Sinks	Faucets
% of U.S. households who might buy in next 12 mos.	5.1%	4.7%	11.3%
Importance of . . .			
• Brand (mean rating*)	2.92	3.63	5.01
Rank—40 products	33	19	5
• Store (mean rating*)	4.75	4.65	4.57
Rank—40 products	17	21	23
Preference for . . .			
• Brand	12%	17%	38%
• Store	68%	84%	86%
Home center	39%	30%	28%
Hardware	5%	11%	18%
Warehouse	2%	11%	4%
Sears/Dept.	5%	8%	11%
Discount	2%	3%	9%
Specialty	7%	8%	12%

*1 = low/9 = high

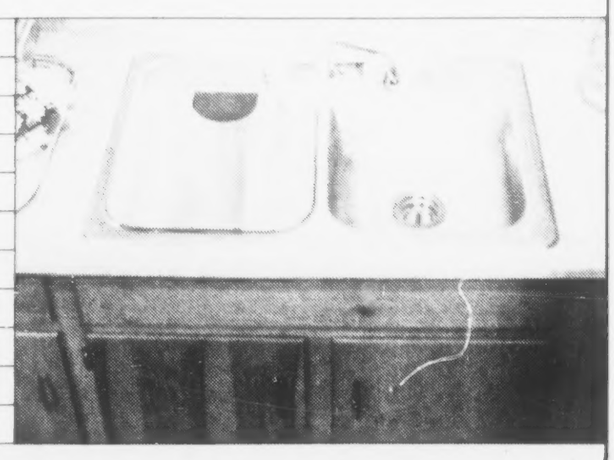
Source: *National Home Center News*/Leo J. Shapiro & Assoc. 1984

- *Home centers were specified as the preferred stores most often by people planning to buy cabinets. About 1 out of 3 people planning to buy sinks and faucets also said that home centers were their preferred stores.*
- *"Looks and style" were named as the most important product characteristics by 1 out of 3 consumers planning to purchase faucets, making it by far the most important quality desired. Product materials were the most important qualities sought by cabinet and sink purchasers.*

What people look for when buying:

KITCHEN CABINETS		KITCHEN SINKS	
Wood/real wood	42.2%	Stainless steel	37.1%
Looks/style	36.1	Size	32.3
Quality	33.7	Looks/style	27.4
Sturdy craftmanship	20.5	Quality	14.5
Durability	14.5	Value/price	12.9
Value/price	8.4	Mat'l made of	9.7
Size/fit	7.2	Sturdy craftsmanship	8.1
Brand names	1.2	Durability	4.8
Selection/variety	1.2	Brand names	4.8
Other	4.8	Guarantee	1.6

FAUCETS	
Looks/style	32.7%
Washerless faucet	20.6
Brand names	15.9
Quality	15.0
Mat'l/copper/metal	12.1
Durability	9.3
Sturdy craftmanship	8.4
Value/price	7.5
Guarantee	1.9
Other	5.6



Source: *National Home Center News*/Leo J. Shapiro & Assoc. 1984

More than 1 out of every 10 households plans to purchase a faucet over the coming year. By level of consumer interest, the product ranked 13th on a list of 40 major home improvement items in a Consumer Attitude Survey recently completed for *National Home Center News*.

Kitchen cabinets and kitchen sinks, on the other hand, are products that only about 1 out of every 20 households plans to purchase. Retailers should benefit, however, from the much higher average ticket that purchasers of these products plan to spend. Consumers who definitely plan major projects and who plan to purchase kitchen cabinets expect to spend an average of $7,694 on home improvement projects in the coming 12 months, while those planning the purchase of a sink who also definitely plan major projects as well expect to spend close to $6,500 each on projects.

Of those consumers planning to purchase faucets over the coming year, some 38% plan to undertake a major project, and plan to spend some $5,963 on the average.

Home centers would benefit most from promoting brand names for faucets, according to results of the survey. Consumers ranked brand importance for this product at 5.01, on a scale of one to nine. Out of 40 products in the study, faucets ranked fifth in brand importance. And while a whopping 38% of consumers said they had specific brand preferences for faucets, only 12% to 17% of respondents felt the same way about cabinets and sinks.

Given the strong brand importance for faucets, it might be expected that consumers placed less importance on the store at which the product was bought. For cabinets and sinks, on the other hand, consumers apparently expected more expertise from their sources. These two products captured mean ratings of 4.65 and 4.75, for store importance, much higher than the ratings for brand importance.

For all three categories of products, however, consumers stated they preferred specific stores. Indeed, close to 9 out of 10 respondents said they preferred specific stores for the purchase of faucets. Close to 7 out of 10 preferred specific stores for cabinets.

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NHCN's 1984 Consumer Attitude Survey

Home centers dominate bath product category

Product Buying Anatomy

How shoppers arrive at buying decisions

	Shower Doors	Medicine Cabinets	Bathroom Sinks/Vanities
% of U.S. households who might buy in next 12 mos.	6.0%	4.7%	7.1%
Importance of . . .			
• Brand (mean rating*)	2.53	2.71	3.46
Rank—40 products	38	36	20
• Store (mean rating*)	4.62	4.56	4.80
Rank—40 products	22	24	15
Preference for . . .			
• Brand	4%	4%	24%
• Store	79%	87%	79%
Home center	30%	38%	33%
Hardware	11%	14%	9%
Warehouse	6%	3%	2%
Sears/Dept.	17%	14%	7%
Discount	—	8%	3%
Specialty	11%	3%	19%

*1 = low/9 = high

Source: *National Home Center News:* Leo J. Shapiro & Assoc. 1984

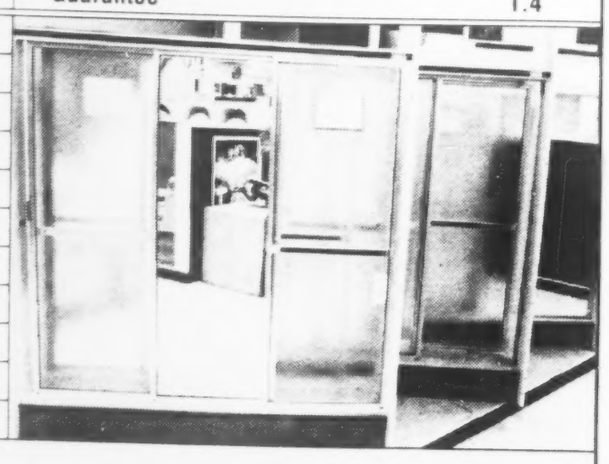
- *Consumers planning to purchase shower doors, medicine cabinets and sinks or vanities show very low preference toward brand names, and only modest interest in where they make the buys.*
- *The construction, looks and style of shower doors, medicine cabinets and bathroom sinks and vanities will be critical factors for consumers when they purchase these products, with price and durability being of less importance.*

What people look for when buying:

SHOWER DOORS	
How the door/frame is made	29.0%
Sturdy/craftsmanship	23.0
Looks/style	22.0
Safety features	11.0
Leakproof	11.0
Size/fit	11.0
Quality	9.0
Durability	9.0
Easy to install	7.0

MEDICINE CABINETS	
Looks style	37.5%
Size	30.6
Mat'l made of	23.6
Sturdy craftsmanship	19.4
Value price	16.7
Quality	15.3
Durability	8.3
Sliding door moves easily	4.2
Safety features	1.4
Guarantee	1.4

BATH SINKS/VANITIES	
Looks/style	32.7%
Mat'l made of	29.1
Quality	21.8
Size/fit	21.8
Value/price	18.2
Sturdy craftsmanship	12.7
Durability	10.0
Brand names	6.4
Guarantee	1.8
Selection/variety	1.8



Source: *National Home Center News:* Leo J. Shapiro & Assoc. 1984

Despite being relatively close demographically, consumers of bathroom sinks and vanities, and those purchasing medicine cabinets or shower doors, appear to be arriving at their buying decisions quite differently.

As the accompanying chart indicates, bathroom sink/vanity buyers placed a much higher premium on brand name merchandise in their buying decision than did medicine cabinet or shower door consumers, ranking 20th in brand preference among those 40 products analyzed in this year's *National Home Center News* Consumer Attitude Study.

That study also found that nearly half of the 7.1% of those households planning to buy a sink or vanity over the next 12 months also plan to conduct a major home improvement project during the same time, which puts this product category at the top of the study's product-project correlation listing.

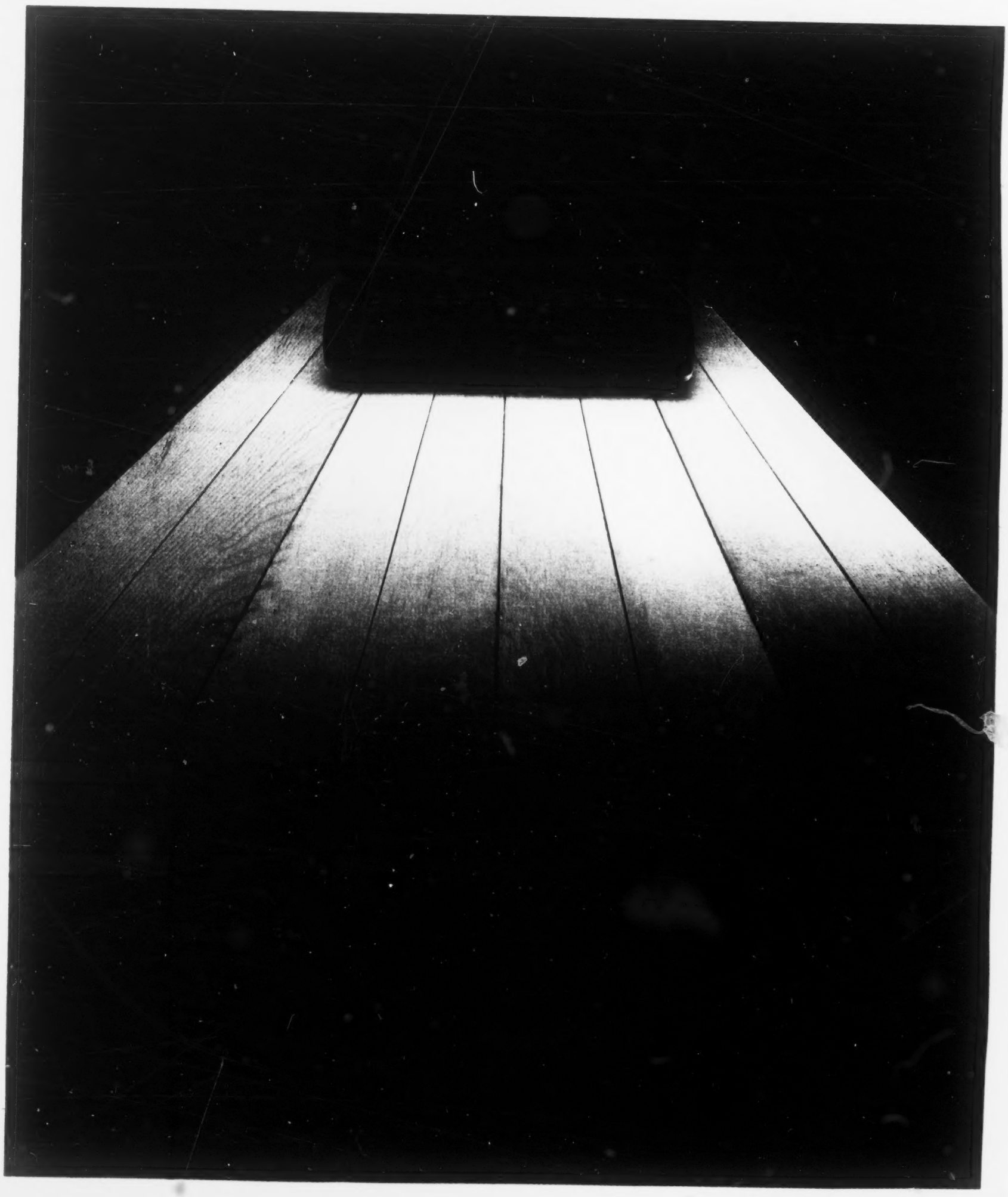
The importance attached to which store consumers would buy these products differed only slightly among the three customer groups, although medicine cabinet buyers showed a considerably greater degree of store preference—87%—than did buyers of the other two consumer product groups.

Nearly 2 out of every 5 likely buyers of medicine cabinets will probably purchase that product in a home center over the next year, with about one-third of the shower door and sink/vanity customers turning to a home center rather than another type of retailer.

Warehouse stores apparently are not perceived as an important marketer of these products yet, registering only a small percentage of preferred prospective sales, but specialty stores will still command a sizable portion of the bathroom sink/vanity market, with 1 in every 5 customers.

Hardware stores will get about one-seventh of the prospective medicine cabinet business over the next year, and Sears will capture close to 20% of the shower door market, according to the study.

When asked what characteristics they look for when choosing a product, all three consumer groups put "looks and style" at or near the top of the list.



NHCN's 1984 Consumer Attitude Survey

Brand name powers lawn mower preferences

Product Buying Anatomy

How shoppers arrive at buying decisions

	Garden Hose	Sprinklers	Power Mowers	Fencing
% of U.S. households who might buy in next 12 mos.	14.4%	9.3%	6.5%	6.9%
Importance of . . .				
• Brand (mean rating*)	2.53	3.65	4.71	3.23
Rank—40 products	39	18	7	26
• Store (mean rating*)	4.53	4.52	4.35	4.17
Rank—40 products	25	26	30	35
Preference for . . .				
• Brand	7%	28%	44%	14%
• Store	93%	91%	82%	80%
Home center	21%	27%	21%	38%
Hardware	14%	26%	15%	—
Warehouse	3%	4%	—	6%
Sears/Dept.	20%	15%	15%	18%
Discount	28%	16%	6%	—
Specialty	1%	1%	3%	4%

*1 = low/9 = high

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Home centers can expect to get nearly 40% of all fencing sales over the next year, and more than one-fifth of power mower transactions. But they will get stiff competition from hardware stores and discount outlets when selling garden hose and sprinklers.

- *In shopping for lawn and garden products like garden hose, sprinklers, power mowers and fencing, consumers will be looking for specific characteristics that focus on quality, durability, the product's dimensions and what it is made of.*

What people look for when buying:

GARDEN HOSE		SPRINKLER	
Size/width/length	31.8%	Size/covers area	25.2%
Mat'l made of/rubber	31.2	Durability	17.0
Durability	22.7	Sturdy craftmanship	13.2
Sturdy craftmanship	20.8	Quality	10.7
Pliability	20.1	Value/price	10.7
Value/price	14.9	Metal fittings	9.4
Quality	13.0	Look/style	3.8
Guarantee	6.5	Brand names	3.8
Looks/style	5.2	Guarantee	1.3
Brand names	2.6	Other	3.1
POWER MOWERS		**FENCING**	
Durability	24.2%	Quality	28.3%
Value/price	22.6	Type of wood	27.4
Horsepower/motor size	21.0	Value/price	23.0
Brand names	16.1	Chain link/metal	16.8
Quality	14.5	Locks/style	13.3
Comes with bag	12.9	Durability	11.5
Guarantee	11.3	Sturdy craftsmanship	7.1
Sturdy craftmanship	8.1	Gauge	6.2
Locks/style	8.1	Size	5.3
Safety features	4.8	Guarantee	2.7

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Shoppers will look for specific brands of power mowers at home centers this summer, but will be less concerned about brands when it comes to sprinklers, garden hoses and fencing.

Households participating in a new *National Home Center News* Consumer Attitude Survey, gave the importance of brand in their decision making an average value of 4.71, when asked to rank the brand's importance in selecting a lawn mower. The scale of one to nine equated nine as most important.

On a list of 40 major home improvement items, power mowers was seventh in terms of brand name importance.

Brand name was less important for sprinklers, which took the 18th spot on that list, and still less so for fencing and garden hoses.

Additionally, 44% of consumers said they had a specific power mower brand in mind when they went shopping, while 28% said they had a brand in mind for sprinklers.

Consumers were not at all ambiguous about what store they would visit for any of these products. Four out of 5 had specific stores in mind for fencing and power mowers; while 9 out of 10 knew what store they would go to for sprinklers and garden hoses. In general, though, consumers did not feel as strongly that the store of choice was as important to their buying decision as they did for some other products, such as power tools.

On a list of 40 major products, lawn and garden equipment ranged in response from 25 to 35 in rank of store importance.

Home centers made the best showing as sources for fencing: 38% of consumers said they would go to a home center first for that product. Department stores also did well: 1 out of 5 consumers said they would patronize that type retailer for fencing.

As for power mowers, 21% of consumers said they would go to a home center first, while 15% said they would patronize a hardware store and an equal number said they would go to a department store.

Some 28% of consumers said they would prefer to shop at a discount store for garden hoses, compared to only 21% who preferred home centers.

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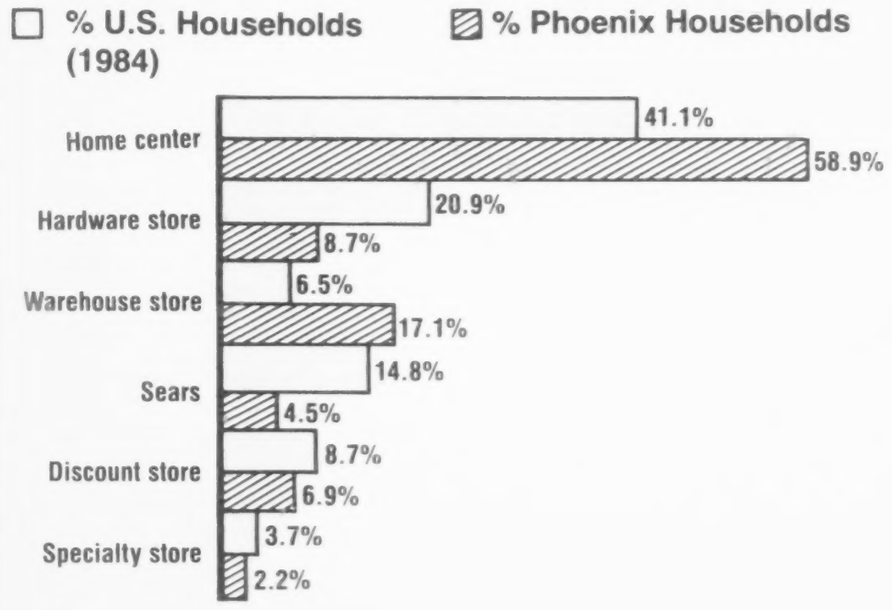
NHCN's 1984 Consumer Attitude Survey

Warehouses gaining recognition among DIYers

Shopping Preferences

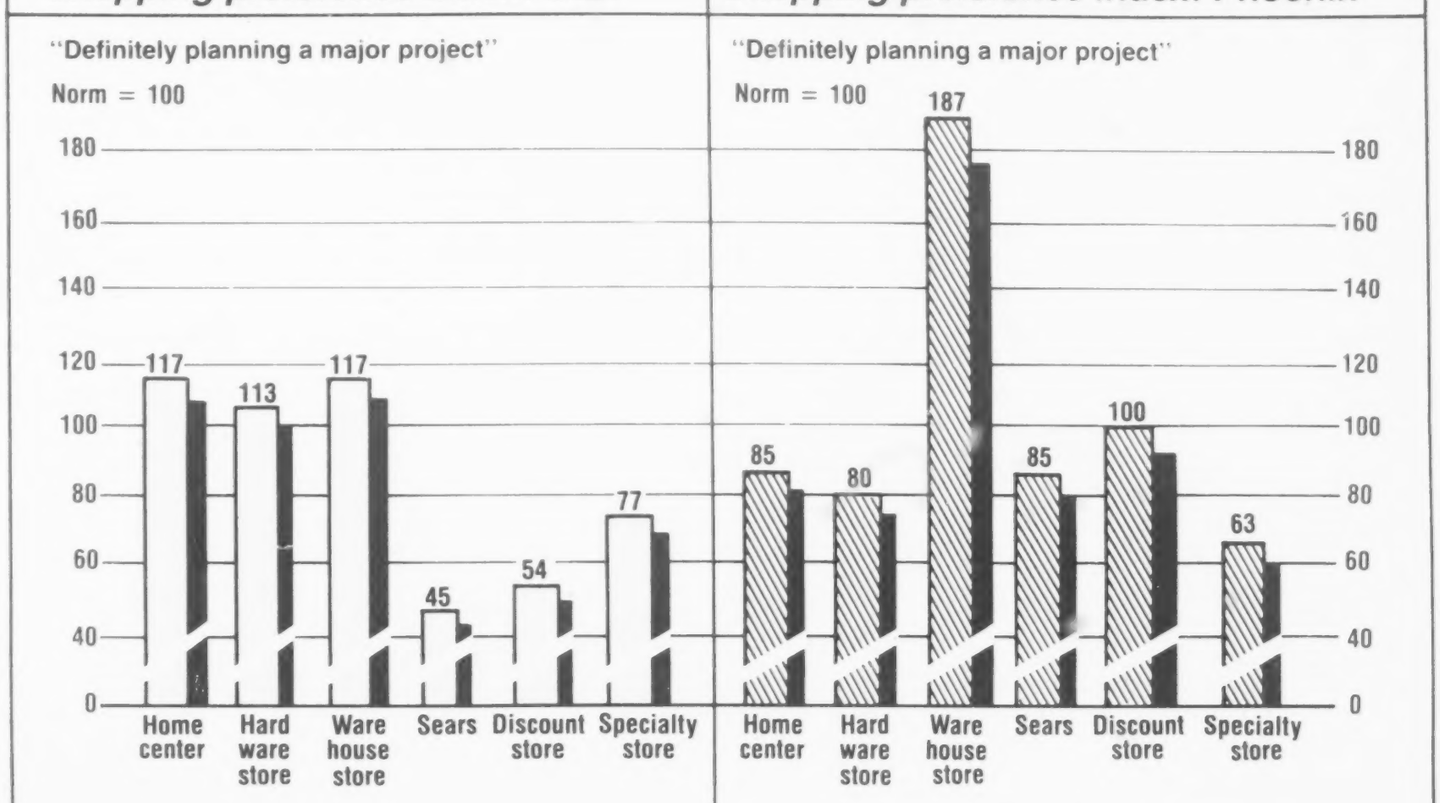
Shoppers choice of store for all home improvement items



Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

- *If Phoenix reveals future trends, home centers and warehouse stores will be eating up the market shares of hardware stores and Sears-type outlets.*
- *More Phoenix warehouse shoppers are planning major home improvement projects than all other groups.*

Store preference of shoppers planning major project



Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

For complete explanation of index, see page 54.

(Continued from page 17)

stores. However, in Phoenix, those who prefer warehouse stores were twice as likely as home center shoppers and hardware store shoppers to be planning a major project.

The difference in Phoenix is in part a result of how new warehouse stores are in the market. Home Depot, now with four stores in the market, has been blitzing the area with advertising and promotions. According to figures released by the Television Bureau of Advertising, Home Depot bought $251,000 worth of TV time during the first three months of 1984 alone. The flurry of promotions may have drawn a disproportionate large number of "potential project" customers.

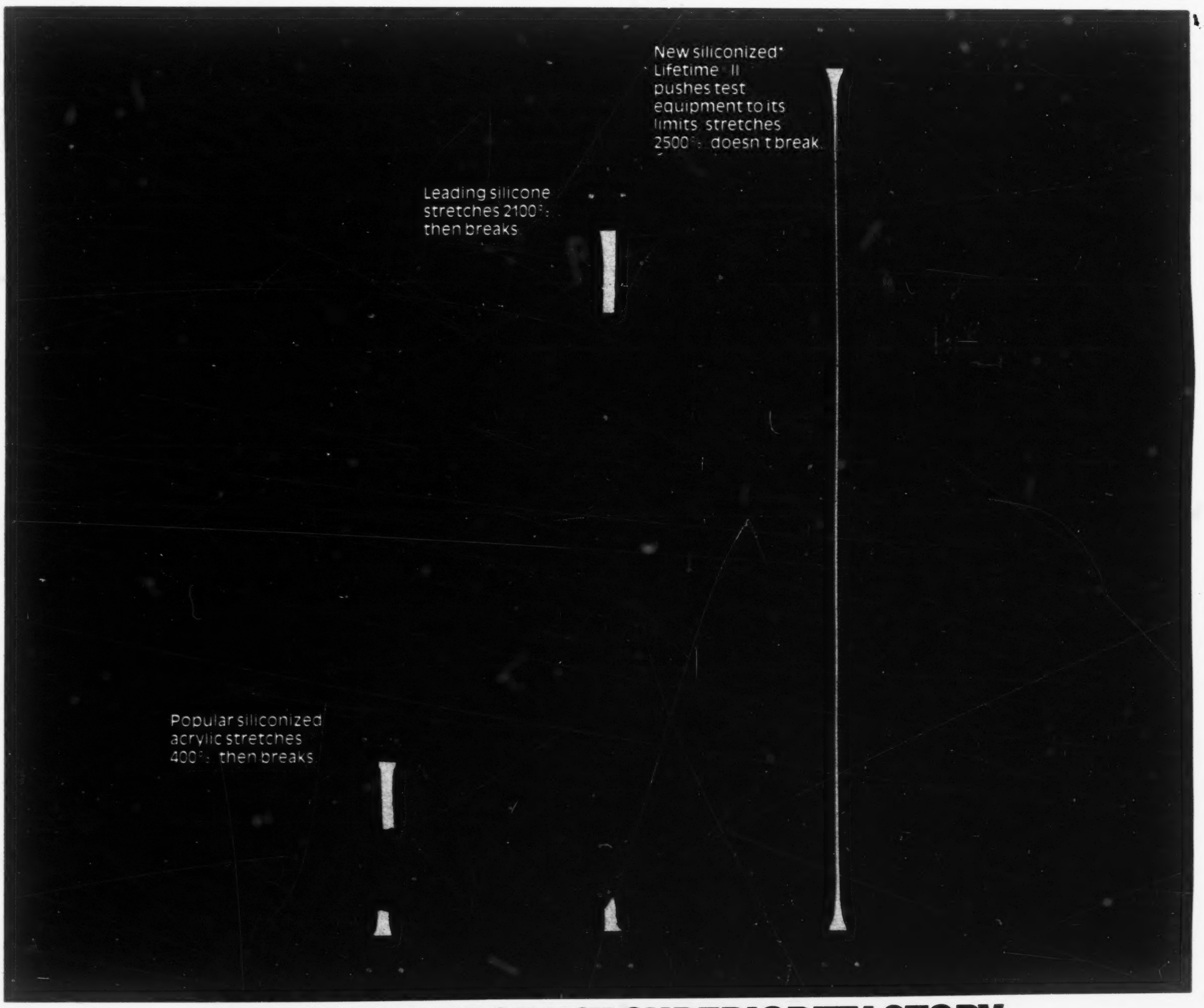
What Phoenix does seem to confirm, however, is that customers who prefer warehouse stores are also among the biggest spenders in the market.

Households interviewed in the survey who were able to name specific stores where they might go for home improvement products—and which were therefore somewhat more qualified about home improvements than the nation might be as a whole—were asked if they had completed a major project in the past 12 months and how much they spent. Nationally, 11% spent over $4,000; 30% spent between $500 and $3,999, and 35% spent under $500 in the past year. The proportions coincided almost exactly among Phoenix households.

However, when the responses were correlated by shopping group, warehouse stores garnered a much higher than average share of households spending over $4,000, nationally and in Phoenix, than might be expected, considering the limited number of households saying they prefer warehouse stores.

Home centers, in fact, tend to attract a high concentration of households spending between $500 and $3,999, but failed to get the concentration of households spending over $4,000 that proportionally it might deserve.

tract bigger ticket customers in the market more than home centers may also reflect the survey's findings that warehouse store shoppers visit warehouse stores more frequently over the course of a year, than do home center shoppers.


New siliconized* Lifetime II pushes test equipment to its limits stretches 2500% doesn't break.
Leading silicone stretches 2100% then breaks.
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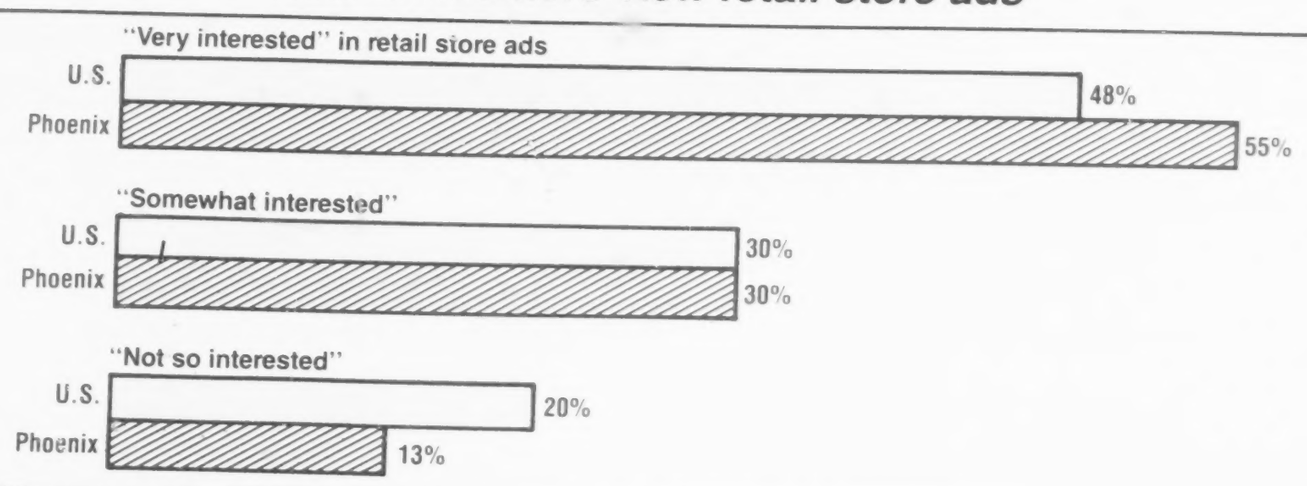
* Independent Laboratory Test.

NHCN's 1984 Consumer Attitude Survey

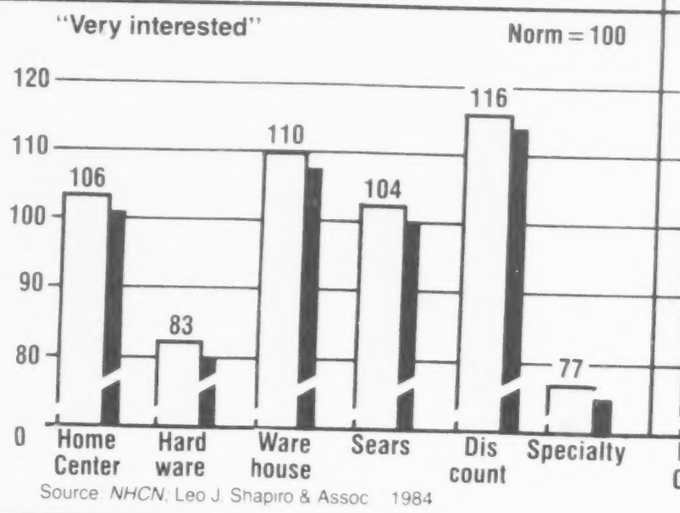
Retail ads serving as value yardstick

Shopping Preferences

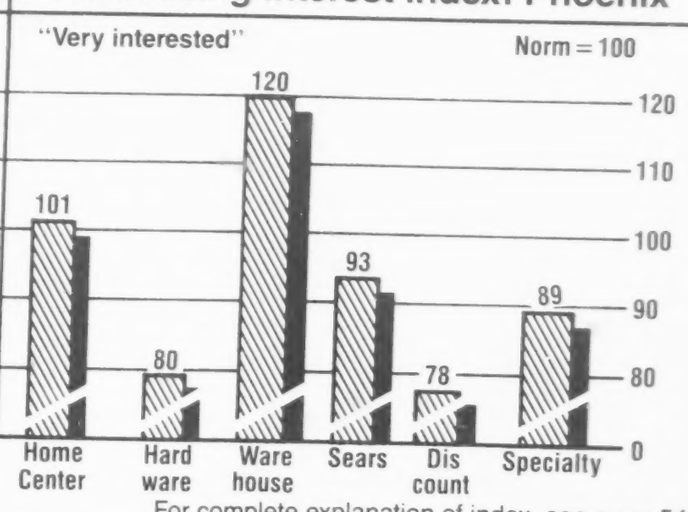
How consumers view retail store ads



Advertising interest index: U.S.



Advertising interest index: Phoenix



Source: *NHCN*: Leo J. Shapiro & Assoc. 1984

For complete explanation of index, see page 54

Shopping Preferences

Why consumers read retail ads

*Positive comments

Source: *NHCN*: Leo J. Shapiro & Assoc. 1984

(Continued from page 17)

correlated with households who prefer to shop at different types of stores, certain patterns emerge that indicate advertising interest intensifies among some shopping groups.

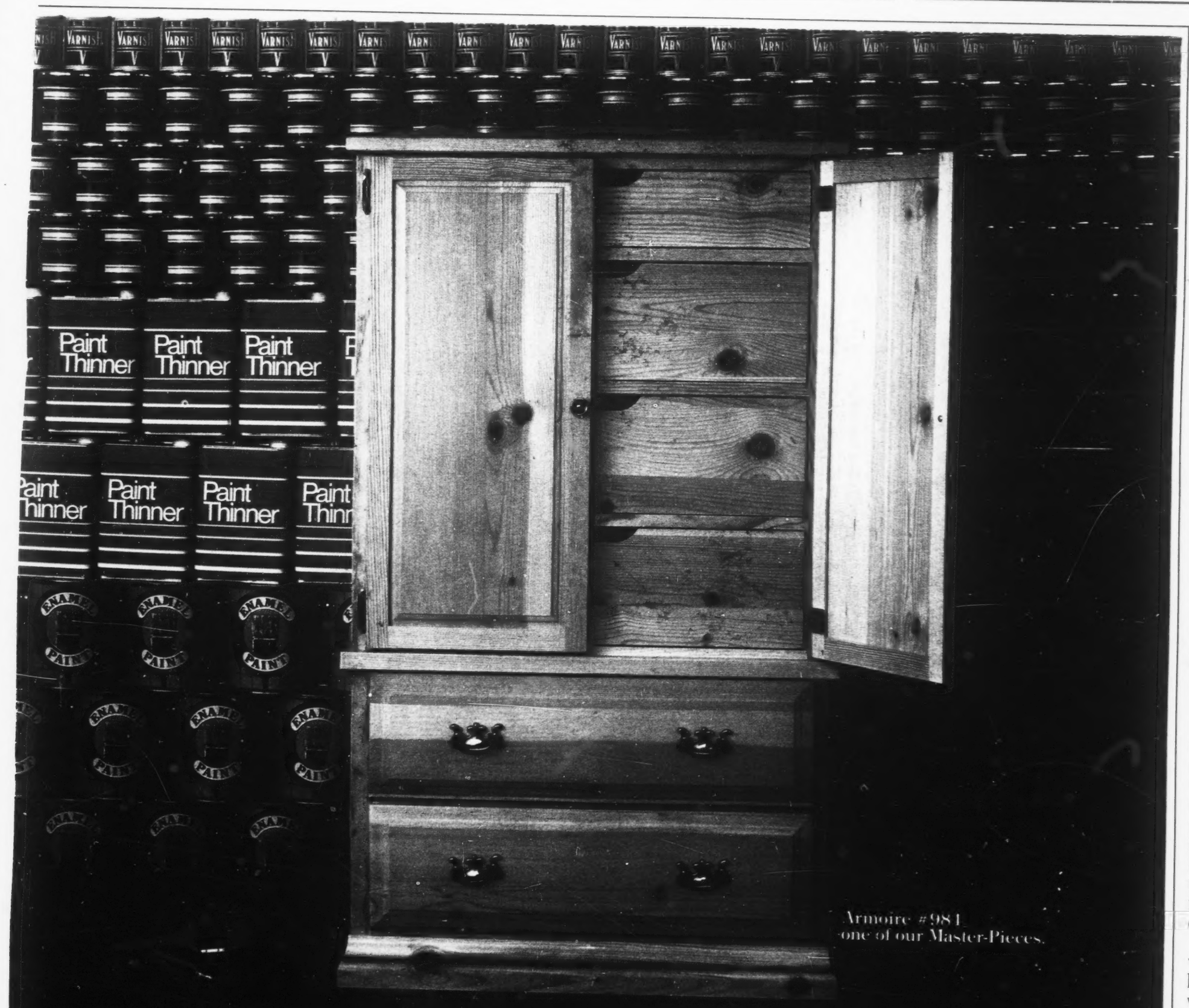
Consumers who prefer to shop at discount stores and warehouse home centers show a higher than average interest in retail advertising than do shoppers who prefer other types of stores for their home improvement needs.

Those who prefer home centers specifically show a slightly higher degree of interest in retail ads than does the average household nationally.

Interest falls off markedly however, among those who prefer to shop at hardware stores and specialty stores. In fact, when analyzing those who said they are "not interested" in retail ads, the response rate among hardware store shoppers reached nearly 140, the response rate of specialty store shoppers rose to nearly 160 on an index where 100 means the response rate is on par with the national average.

One reason might be the fact that hardware store shoppers typically are either retired, or single and under the age of 30, where convenience is an important factor, and the level of project activity is not as high as it is for home center shoppers. Specialty store shoppers, meanwhile, appear to be relying more on word of mouth than on retail ads.

The study suggests that advertising interest in Phoenix, however, is higher among warehouse shoppers than for any other group. That Home Depot has been blitzing the market with catalogs to convey the chain's product offering, may explain why Phoenix shows a different response profile than the national audience. Specialty store shoppers in Phoenix still demonstrate less interest in advertising than the average Phoenix household shopping all types of stores. However, interest in advertising was higher among all specialty store shoppers in Phoenix than among those nationally. This may suggest consumers who prefer specialty stores are still checking ads more carefully to verify the value of their purchases in Phoenix than are their national counterparts.

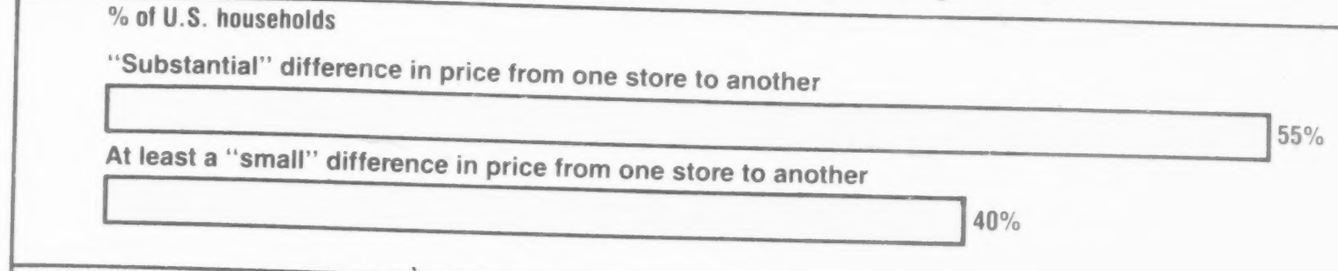

Paint Thinner
Armoire #984
one of our Master-Pieces.
THE NAKED SALESMAN.
It comes in a state of nature, so to cover itself, our ready-to-assemble and finish furniture sells paint and stain, brushes and thinner, steelwool and sandpaper. Sells 'em by the carload. And the line itself sells by the carload—good-looking solid pine, precision grooved and predrilled for easy assembly into furniture that people are proud to own. Three lines, with a variety of styles, items and price points, all programmed and packaged to give you maximum profit. Master-Pieces, Pine Line and Encore—they sell the pants off everything else in the category. Marketing Division, Consumer Products.
P.O. Box 8220, Stockton, CA 95208. 209 946-5800.
American Forest Products Company

NHCN's 1984 Consumer Attitude Survey

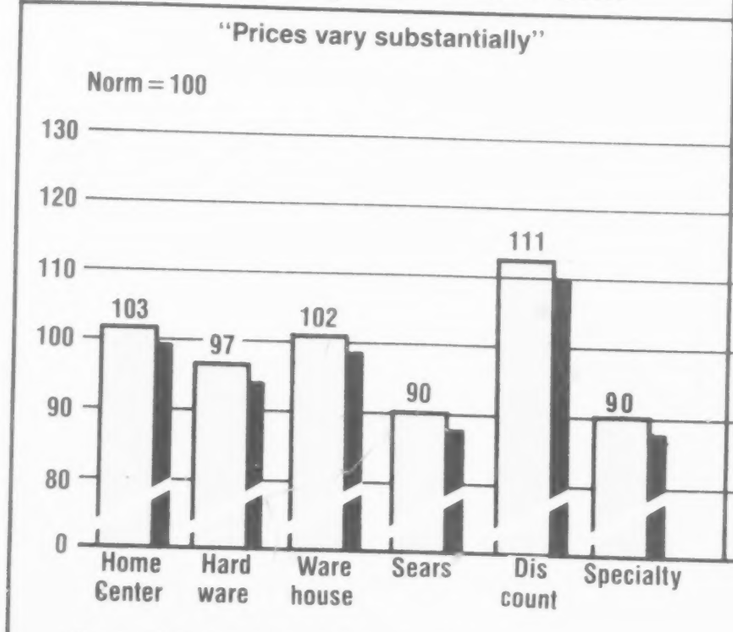
Survey shows Americans are sharp shoppers

Shopping Preferences

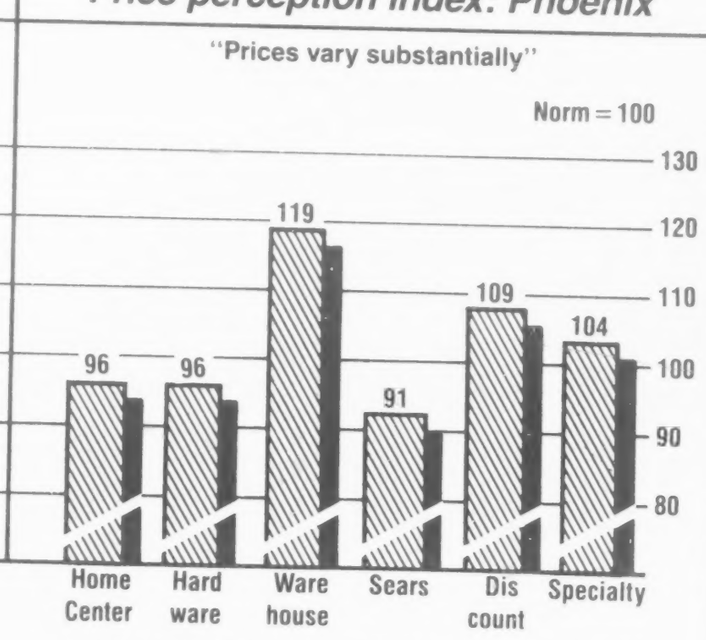
Price perception: How shoppers feel about prices


% of U.S. households
"Substantial" difference in price from one store to another
55%
At least a "small" difference in price from one store to another
40%

Price perception index: U.S.



Price perception index: Phoenix



Source: *NHCN*; Leo J. Shapiro & Assoc. 1984

For complete explanation of index, see page 54.

The American shopper is no fool when it comes to perceiving price variations between store types. More than half—55%—of American consumers responsible for their household shopping recognize that there are substantial price differences for home improvement items between stores.

By contrast, only 5% of consumers said they see no difference at all between store price, leaving the other 40% saying prices at least vary modestly, according to a new *National Home Center News* survey conducted by Leo J. Shapiro & Associates. The study examined price perception by comparing, against the national average, the response rate of shoppers who preferred six different types of stores for their home improvement needs.

The greatest concentration of consumers who believe prices vary substantially, are those who shop "low-price" stores like discounters.

In addition, a marginally greater proportion than the national average of home center and warehouse shoppers see price points varying widely between stores, indicating they are more sensitive to price differences between stores than the average shopper.

Those who prefer to shop at

(Continued on page 58)

55% of American households believe "prices vary substantially" from store to store. Warehouse and discount store shoppers show greater sensitivity to price differences than do hardware store and Sears shoppers.

How to read the indexes

As 41% of the nation's consumers prefer to shop home centers and 6.5% warehouse stores, one would expect when looking at details like the concentrations of people spending over $4,000 on a project, the pattern of distribution between store types would be the same. That is, 41% will be spending their $4,000-plus in home centers, 6.5% in warehouses, and so on for all the other store types.

Unfortunately, life is never that simple, which is why the indexes were calculated.

They are used as a means of gauging the relative concentrations of specific consumer choices and activities between store types.

When calculating indexes, the national averages of each store type are taken as the "norm," which is specified as 100 on the index tables. So, for each store type, 100 represents 41% for home centers, 6.5% for warehouses, 21% for hardware stores, 15% for Sears, 9% for discounters and 4% for specialty stores.

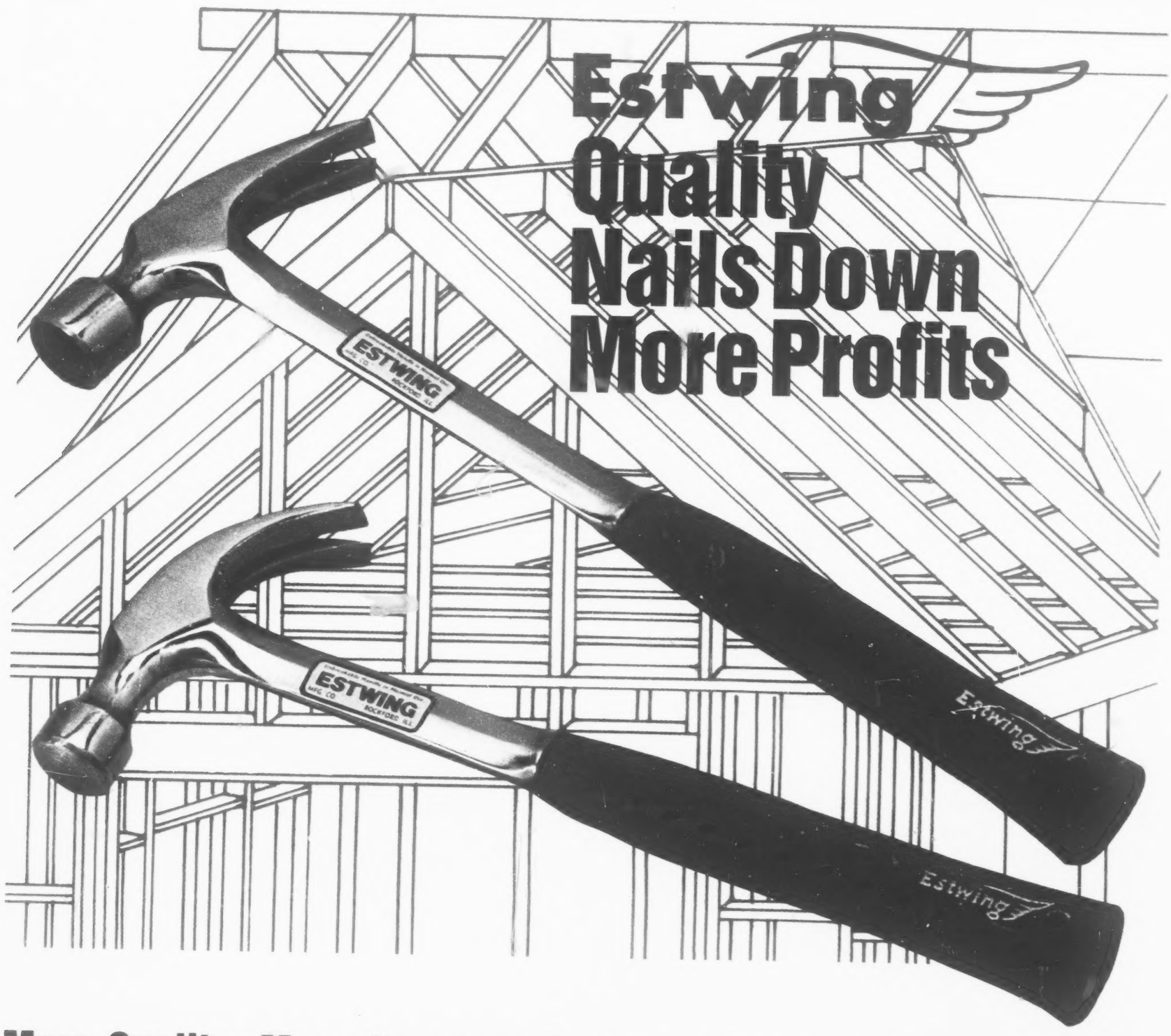
Then, the percentage of particular consumer types/-choices/activities are worked out. Using the above example, the study found that of all the consumers who spent $4,000 and up on a project last year, 39% shopped home centers, 9.4% warehouses, 19% hardware stores, 18% Sears, 3% discounters and 6% specialty stores.

This list of percentages is clearly different from the "national" percentages.

The index factor is the difference between the expected national percentage and the percentage of shoppers who actually did shop in that store. In this case, only 39% of the nation's "big spenders" shopped home centers—a figure below the national "traffic level" of 41%—while 9.4% of those who spent $4,000 or more shopped warehouse stores, a figure substantially above the national "traffic level" of 6.5%.

So, for home centers, 39% is divided by 41% and for warehouses, 9.4% is divided by 6.5% to get results of 0.94 and 1.46, respectively.

The results of these divisions show that home centers have a concentration of big project spenders that is 0.94 times the national average, while warehouse stores have a concentration that is 1.46 times the national average.

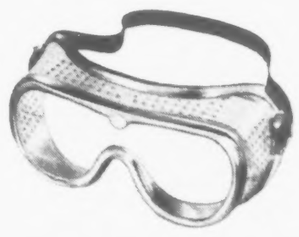


More Quality · More Customer Appeal · More Profit Opportunities

For more profits in your hand tool department take a closer look at one hammer line that stands out in quality, appearance, and construction—that's Estwing, the world's first and finest solid steel hammer. It's been the top choice of skilled craftsmen and handymen since first patented in 1923. Today more than ever Estwing quality sells as customers look for the best value for their money.

Estwing hammers are unsurpassed in quality, balance, and finish. Forged in one-piece the strongest construction known. Head and handle are fully polished with either nylon-vinyl deep cushion grip or beautiful laminated leather grip.

Estwing offers a truly unique hammer line . . . reduces inventory duplication, and increases sales to both the quality DIY and professional markets. Contact your Estwing distributor today or write.



ESTWING SAFETY GOGGLES
Always wear Estwing Safety Goggles when using hand tools. Protect your eyes from flying particles and dust. Bystanders shall also wear Estwing Safety Goggles.

Estwing Mfg. Co., 2647 8th St., Rockford, IL 61101

PEOPLE

every issue

NHCN's 1984 Consumer Attitude Survey

Low-priced warehouses attract affluent DIYers

Consumers show a distinct preference for different types of retail stores for their home improvement needs that directly reflects their age, and whether they have a family or live alone, and how much they earn.

For instance, singles—retirees and under-30's—tend to shop hardware stores, while larger households whose main consumer is under 45 years old, tend to shop home centers and warehouse stores, according to a *National Home Center News* survey, conducted by Leo J. Shapiro & Associates.

In addition warehouse stores—despite their low-price image—are generally shopped by people with above-average incomes, and discounters are predominantly shopped by consumers from households with below-average incomes.

Here is a brief rundown on the main characteristics of the "typical" customer at each type.

Shopper Profile—U.S.

Home improvement project spending in past year

By primary traffic group — **Index: Norm = 100**

Dollars spent	Home center	Hardware store	Warehouse store	Sears	Discount store	Specialty store
$4,000 Plus	94	90	146	121	32	154
$500-$3,999	115	76	131	91	81	106
Under $500	96	119	72	101	107	85
Nothing	99	91	56	94	167	80

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

A greater proportion of warehouse and specialty store primary customers spent over $4,000 on major projects than any other store type.

For complete explanation of index, see page 54.

Income of home improvement shoppers

By primary traffic group — **Index: Norm = 100**

Total family income	Home center	Hardware store	Warehouse store	Sears	Discount store	Specialty store
Over $20,000	109	88	123	92	78	101
Under $20,000	96	120	58	77	135	103

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

Discount and hardware store customers are most likely to have below-average incomes, while warehouse shoppers are more likely to have above-average household incomes.

• The home center customer:

The home center shopper tends to be under 45 years old and from a household with four or more people in it. Although this shopper may have either a blue- or white-collar job, he/she will more often than not have a household income above the national average of $20,000 a year.

• The hardware store customer:

The hardware store shopper, on the other hand, is usually single, being either retired or under 30 years old. With apparently less pressure to engage in large home improvement projects, these people are usually earning under $20,000 a year.

• The warehouse store customer:

However, the warehouse store shopper is much more likely to come from a larger household, with four or more

(Continued on page 60)

The Fix Is In!
We're getting ready for the big fight. We feel that the other fella has been on top far too long. We also think our boy is just as good, and the complacent champ is primed for an upset. But just to make sure that justice prevails, we've fixed the fight. We're paying off the promoters. That's you—the dealer. (You're the one that does all the promoting—and isn't that what really makes a winner?) So we're paying cold hard cash to give our boy the decision.
Every time you buy Weld wood Waterproofing Sealer in July, August and September, we'll send you a check—made out to the payee of your choice. The more you buy—the more you get. For example, if you buy 10 cases (40 gallons), you get $40.00; 20 cases, $80.00. And so on.
Call it a spiff. Call it a bribe. Call it what every you want, but be sure to call your distributor and order Weld wood Waterproofing Sealer today.
Send for your free Promotion Kit that tells you how simple it is to get your payola
We're Knocking Out The Competition.
Weldwood
Baldwin Park Blvd., City of Industry, Ca. 91749
Send for Action kit requests to: Advertising Dept.

Survey shows Americans are sharp shoppers

(Continued from page 54)

hardware stores are about as sensitive as the average shopper to price variations. However, Sears and specialty store customers tend to be less sensitive to substantial price differences from store to store than the average shopper, suggesting price plays a lesser role in their buying decisions.

However, Phoenix—a market seen as revealing future retail marketing trends—shows a different picture: There are sharp increases in the proportion of "price conscious" people shopping warehouse and specialty stores, when compared to the national average, while the concentration of Phoenix home center customers who believe prices vary substantially is lower than the national average.

The difference in the price awareness in Phoenix suggests two things: That those who believe that prices vary substantially from store to store, tend to shift their preference from a home center to a warehouse store, where warehouse stores play a large factor in a market. Home Depot, within six months, gained almost equal shopper awareness as all of its home center competitors.

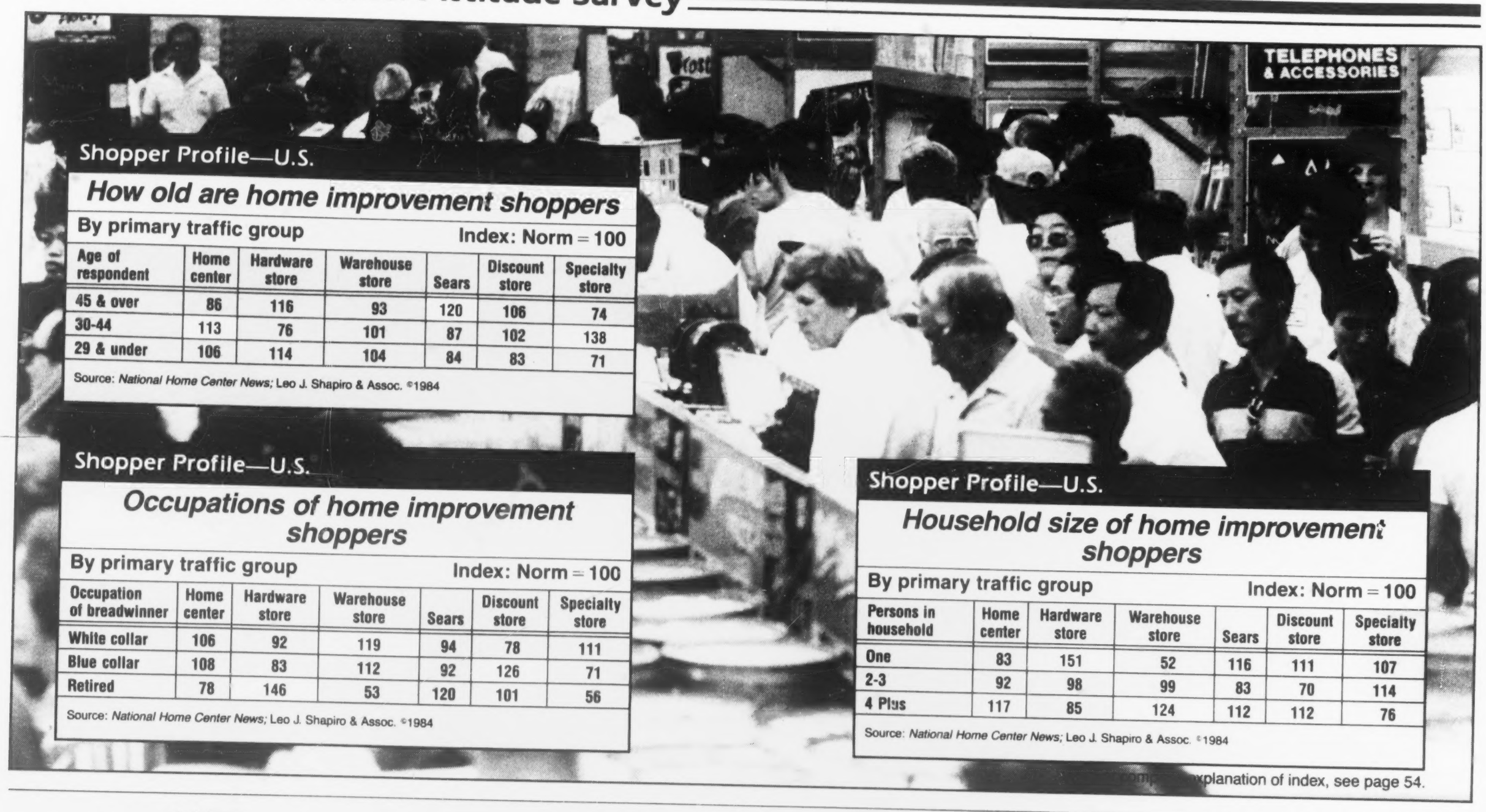
The Phoenix results suggest that shoppers who believe that prices vary substantially from store to store tend to shift their store preference from a home center to a warehouse store.

Also, as a large proportion of sales for big ticket projects are made in warehouse stores, consumers may be more "price conscious" for each individual item they are buying for such a project.

Similarly, with many sales for big ticket projects also going through specialty stores, price point awareness may be just as strong as in warehouse stores.

Warehouse, home center and specialty stores aside, the primary customers for the other types of home improvement stores in Phoenix show degrees of price awareness similar to the national pattern.

NHCN's 1984 Consumer Attitude Survey



Shopper Profile—U.S.

How old are home improvement shoppers

By primary traffic group — Index: Norm = 100

Age of respondent	Home center	Hardware store	Warehouse store	Sears	Discount store	Specialty store
45 & over	86	116	93	120	106	74
30-44	113	76	101	87	102	138
29 & under	106	114	104	84	83	71

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

Shopper Profile—U.S.

Occupations of home improvement shoppers

By primary traffic group — Index: Norm = 100

Occupation of breadwinner	Home center	Hardware store	Warehouse store	Sears	Discount store	Specialty store
White collar	106	92	119	94	78	111
Blue collar	108	83	112	92	126	71
Retired	78	146	53	120	101	56

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

Shopper Profile—U.S.

Household size of home improvement shoppers

By primary traffic group — Index: Norm = 100

Persons in household	Home center	Hardware store	Warehouse store	Sears	Discount store	Specialty store
One	83	151	52	116	111	107
2-3	92	98	99	83	70	114
4 Plus	117	85	124	112	112	76

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

...explanation of index, see page 54.

- *Top left: A large proportion of Sears customers are over 45; above average concentrations of home center and specialty store shoppers are 30-44 years old.*
- *Left: Retirees seem to prefer shopping at hardware stores.*
- *Above: Heavy concentrations of "singles" seem to shop hardware stores; large proportions of warehouse and home center customers are from multiperson households.*

Stores attract wide-ranging DIY clientele

(Continued from page 58)

people in it, in particular. This consumer is less than 45 years old, earning more than $20,000 a year and will be holding either a blue- or white-collar job. Also, this customer is a big spender: More sales for large ticket projects go through warehouse stores than any other kind of outlet, except specialty stores.

- The Sears customer:

Sears customers seem to be people who have been faithful to the chain for years, as their predominant occupation appears to be "retired." However, shoppers with more than four to a household also like this chain, which suggests that many consumers agree with the company's positioning that stresses you can get everything you need for the family at Sears. Sears shoppers also tend to have above average household incomes.

- The discount store customer:

The discount store shopper tends to be above 30 years old, and, like the Sears customer, comes from either a single or large (four plus) household. However, his/her household income is probably below $20,000 a year, with the money coming from a blue-collar job.

- The specialty store customer:

On the other hand, specialty store customers tend to be "middle aged"—between 30 and 45 years old—be white-collar workers and have households with less than four people. Yet despite this middle class image, with a tendency to make high ticket purchases for large projects, as many of these households seem to earn below $20,000 a year, as above that sum.

"Fast turns, high profit and strong programs. Polyseamseal® gave us everything we needed to fire up sales."

Ron Jerauld, Paint Department Manager
Somerville Lumber, Somerville, MA

POLYSEAMSEAL
All Purpose Adhesive/Caulk
Seals like caulk. Sticks like glue. Inside or Outside.
POLYSEAMSEAL
All Purpose Adhesive/Caulk
Seals like caulk. Sticks like glue. Inside or Outside.

"When we stacked Polyseamseal® All Purpose Adhesive Caulk in the aisles with the $1 Rebate, we turned more than 1,000 cartridges in just 2½ weeks. It practically *flew* out of the store. The $1 Rebate let us put Polyseamseal on sale—without cutting our profits.

"Plus Polyseamseal's 100% co-op paid for a front page spot in our flyer. And the free header made it easy to get customers' attention—fast!

"The rebate sells Polyseamseal the first time, it sells itself after that. Good values on good products always win repeat business."

That's the Polyseamseal Strategy at work.

It sells itself! That's what thousands of dealers discovered when they featured the Polyseamseal $1 Rebate, and they never risked a penny. Now it's your turn. Just take 18 inches of floor space to set up the compact merchandising Polyseamseal gondola. Stock it with Polyseamseal All Purpose Adhesive Caulk. If you don't make more money from our strategy within 90 days, we will take back your unsold Polyseamseal inventory. Guaranteed.

Now you can offer the Polyseamseal $1 Rebate to your customers without cutting your profits.

The free, attention-getting header and 100% co-op help build sales and traffic in your store. It's all no-risk. And it works.

Ask your Polyseamseal distributor for details now. Then get ready for fast turns—and more money than you've ever made from caulk before!

Yes! I want to make more money from caulk.
Tell me more about the Polyseamseal $1 Rebate and free merchandising gondola.
Return this coupon to "$1 Rebate," Darworth Company, Box K, Avon, CT 06001.

Name
Title
Firm
Address
City State Zip
Phone

Polyseamseal® All Purpose Adhesive Caulk

Darworth Company
AVON, CONNECTICUT 06001

© 1984 Ensign-Bickford Industries, Inc.

NHCN's 1984 Consumer Attitude Survey

Projects down, but consumers spending more

(Continued from page 1)

The study, conducted by Leo J. Shapiro & Associates, a Chicago-based consumer research firm, explores how consumers evaluate 40 selected home improvement products; where they shop for those products; how those products are related to project activity, and the influence of advertising and brand name identification in the buying decision. The study, which is nationally projectible, also explores how consumers in a single market, Phoenix, differ in view from the national.

One explanation for the decline in the number of households tackling major projects appears related to the easing of financial restraints that prevented many households from moving in the 12 months prior to March 1983.

The return to full-time and overtime employment in the past year may also have reduced the number of projects being tackled, the study suggests. Less available time to work on projects and an increase in income in many house-

(Continued on page 65)

NHCN Home Improvement Update

Painting/wallpapering are most popular projects

% of households having completed remodeling, renovation, alteration project in past 12 months

1983		1984	
Paint/wallpaper	21.0%	Paint/wallpaper	21.9%
Remodel kitchen	15.2	Remodel kitchen	15.6
Remodel bath	8.6	Remodel bath	10.9
Paneling	8.6	Insulation	7.8
Repair or install ceilings/walls	6.7	Add a room	7.8
Tiled	6.7	New roof	6.2
Add a room	5.7	Remodeled whole house	6.2
Remodeled porch	5.7	New windows	6.2
Remodeled living room	5.7	Remodeled bedroom	4.7
New carpeting	4.8	Add a deck	4.7
Plumbing	4.8	New floor	4.7
Built garage, shed	4.8	Paneling	4.7
Insulation	3.8	Remodeled living room	4.7
New roof	3.8	Tiled	4.7
Other	41.9	Other	29.7

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

• Year to year, painting/wallpapering continue to be the most frequently mentioned home improvement project among people who have completed a project in the past year. Remodeling kitchens and bathrooms are the next most popular projects.

Homeowners plan to paint/wallpaper & add a room

% of households with remodeling, renovation, addition plans

1983		1984	
Paint/wallpaper	20.7%	Paint/wallpaper	19.6%
Remodel bath/kitchen	14.9	Add a room	14.4
Flooring/tile	14.0	Remodel bath	11.3
Add a room	8.3	Convert basement	7.2
Add patio deck	6.6	Remodel kitchen	6.2
New carpeting	5.8	Carpeting	4.1
Plumbing, new fixtures	5.8	Remodeling (unelaborated)	4.1
Replace countertops, cabinets	4.1	Replace countertops	4.1
Remodel room	4.1	Add patio, deck	4.1
Paneling	3.3	New windows	4.1
Add garage, carport	2.5	Remodel kitchens & bath	4.1
Heating, ventilation	2.5	Storm windows, doors/sides	4.1
Convert basement	2.5	Plumbing, new fixtures	4.1
Other	12.5	Repair existing porch	4.1
		Other	25.8

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

• Between 1983 and 1984, there has been a sizable increase in the per cent of households who say that the project they plan will be a room addition. Also note respondents gave more detailed project breakdowns in the 1984 survey resulting in both separate and combined responses for bath and kitchen remodeling.

Homeowners hiring outside help active in material purchases

Homeowners who hire outside help to undertake remodeling and renovation projects still remain heavily involved in decisions about what merchandise to purchase, and where to purchase it.

Approximately 1 out of every 4 households completing a major home improvement project last year hired someone to do all of the work. Yet, nearly 2 out of 3 people who hired help last year said they played a major role in the buying decision, and in fact, purchased an average of 53% of the materials used, according to a study just completed for *National Home Center News*, by Leo J. Shapiro & Associates. The study showed that in one-third of the projects where contractors did all of the work, consumers bought all of the materials.

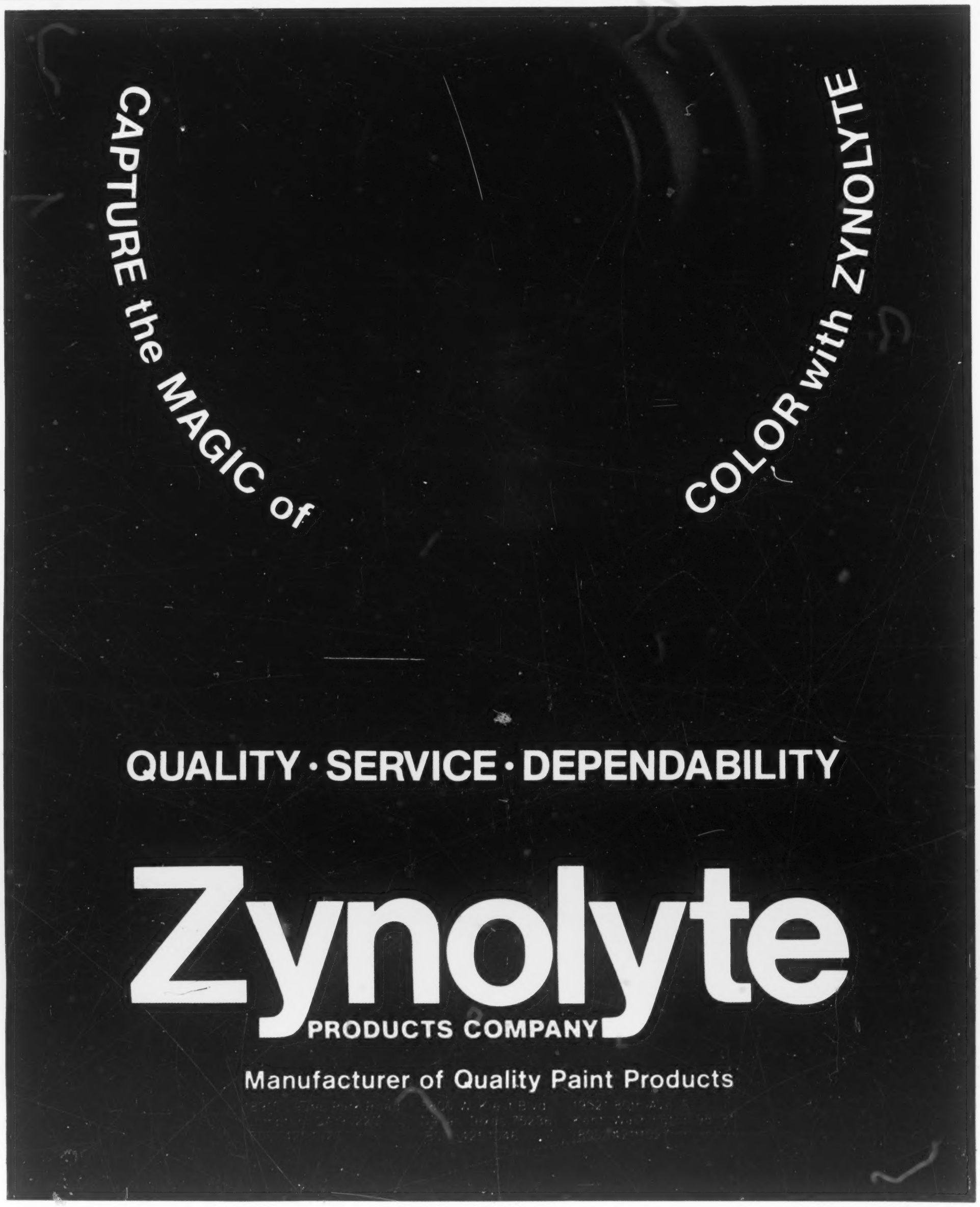
Even in cases where the contractor purchased all of the materials, decisions about what materials to purchase were made jointly in 9 out of 10 cases. Only 4% of the respondents said they left such decisions entirely up to the contractor. And in 46% of the cases, the consumers specified what brand the contractor should purchase.

More DIYers

Although more homeowners completed renovation projects on a do-it-yourself basis in the past 12 months, than in the previous 12-month period, they plan to hire more outside help over the coming 12 months.

Of households completing major renovation projects during the last 12 months, some 63% said they did all the work themselves, representing an increase from the 55% of the year earlier. However, only 47% say they plan to do all of the work themselves during the coming year.

However, the respondents who have backed away from the do-it-yourself camp do not plan to keep their hands off household projects entirely. Some 28% said they would undertake such projects on a cooperative basis by doing some of the work themselves and having outside help do the rest. Over the past 12 months only 17% undertook renovation projects using this cooperative approach.



NHCN's 1984 Consumer Attitude Survey

Projects down, but consumers spending more

(Continued from page 63)

holds also may explain why the projects being tackled are fewer in number, but more elaborate and expensive.

As was the case the previous year, the most popular home improvement projects included painting and wallpapering and remodeling kitchens and bathrooms.

The number of households adding a room, however, increased dramatically last year over 1982. Of all households that completed a major project in the past 12 months, about 8% said they added a room. This figure was up from 6% the previous year.

The study also found an increase in the proportion of households adding insulation, a new roof, new windows and remodeling their whole house last year over the previous 12 months.

Those projects planned for the next year will involve more expenditure by homeowners than those undertaken last year, reflecting a continuing trend on the part of consumers toward ever larger projects. Among United States households reporting that they are "definitely" or "maybe" planning a major home improvement project, the average household expected to spend $3,470 on a project this coming year. A year ago, the comparable project was expected to cost $2,371.

Adding a room has become an even more popular goal for America than it was last year. Of the households planning a major remodeling task this year, some 14% are considering the addition of a room, up substantially from a year ago.

Other popular remodeling projects planned for the coming 12 months include painting and wallpapering, remodeling a bath or kitchen and installing flooring or tile.

The increasing interest in adding a room reflects to a large extent the perception on the part of many homeowners that they do not have enough living space. According to the new study, of those homeowners who say they do not have enough space, some 18% said they would solve the problem by building an addition, a substantial increase from the 9% of last year's study.

However, the number of households who perceive their living space as too small has actually decreased somewhat from the level reported in a study done a year ago, published in *NHCN* under the title of "The Great Housing Mismatch" (*NHCN*, July 18, 1983).

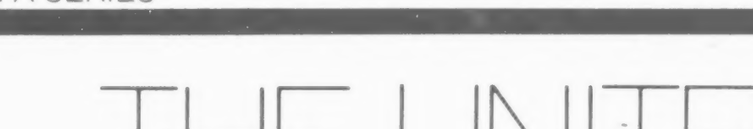
According to the new study, some 36.6% of respondents said they had too little space, while 38.2% said they had too much. A year ago, 37.3% said they had too little space while 35.4% said they had too much. However, it is clear that a great deal of remodeling remains to be done before consumers are satisfied with the amount of their living space.

The complete 241-page summary, plus a 60-page summary of consumer shopping trends, and executive summary, are available in a single volume for $250. For more information write *National Home Center News*, Dept. S-84, 425 Park Ave., New York, N.Y. 10022.

NHCN Home Improvement Update

Two-thirds of the nation's DIYers did the work themselves

% of U.S. households who renovated, remodeled in past 12 months



Of those who hired help:

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

- *Among DIYers nationally, 63% say they did the work themselves on the project they completed in the past year. Of those who hired help, 2 out of 3 were involved in the purchase of materials for the project.*
- *More households responded that they had extra living space in 1984 than in 1983. Of those households, 36.8% said they were likely to move, while 42.7% said they would reallocate the space. Converting a bedroom was the most popular response in this category gaining 10.5% of the responses.*
- *On the other end of the spectrum, fewer households have less space than needed in 1984 than as did in 1983. Of those households, 45.1% responded that they were likely to move to gain additional space, while 20.7% would remodel, 18.3% would build an addition and 8.5% would do nothing.*

What homeowners intend to do with their extra living space

	1983	1984
% of households with more space than needed	35.4%	38.2%
% of households likely to:		
"Move"	38.9	36.8
"Reallocate space"	42.6	42.7
• Convert bedroom	10.5	10.5
• Close unused rooms	4.9	2.9
• Remodel	3.1	4.1
• Make apartment	3.1	1.8
• Add a room	—	2.3
"Do nothing"	6.2	12.9

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

How homeowners intend to increase their living space

	1983	1984
% of households with less space than needed	37.3%	36.6%
% of households likely to:		
"Move"	53.8	45.1
"Remodel"	23.4	20.7
"Build addition"	8.8	18.3
"Do nothing"	5.3	8.5

Source: *National Home Center News*; Leo J. Shapiro & Assoc. ©1984

NO. 2 IN A SERIES

THE UNITED COATINGS MEASURE OF QUALITY AND WHAT IT MEANS TO YOU.

"How can I tell if I'm buying the best quality paint?" Check your paint the way we check ours.

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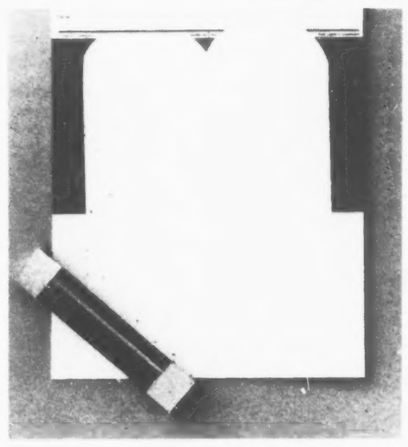

"Hiding" is the covering ability of paint at a uniform thickness (3 mils), on a uniform black surface. Does the black show through? Not if the paint has a high titanium dioxide content. United Coatings paints contain more titanium dioxide than competitors, therefore we have a better "hiding" product.

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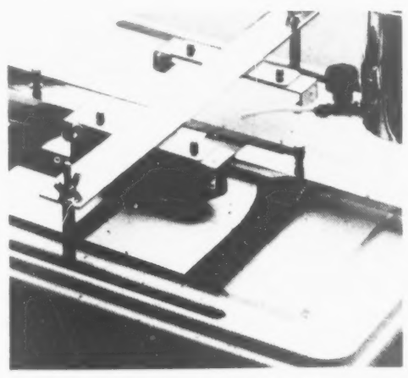

This test is a side-by-side paint toughness shootout! An abrasive coated scrub brush is pulled back and forth across our paint sample and a competitor's paint sample. 150 strokes can rub out a poor quality paint. United Coatings paints test 3 to 4 times longer than most of our competitors. At any given price point our paints contain more acrylic and vinyl resins, for better washability.

3 Test the "adhesion quality" on difficult surfaces.

We do that with the same machine as in Test 2. Paint samples are placed side-by-side over a glossy alkyd surface and permitted to dry for 24 hours. The paint film is then cut by a razor blade and soaked in water for 1/2 hour. Samples are emersed in water and scrubbed without abrasive. This test checks the surface adhesion under the worst conditions. United Coatings paints stick better on difficult surfaces because they contain more pure acrylic resins.

What does this testing mean to you?

Our test results prove that United Coatings paint products are of the highest quality and must, therefore, be made using the finest raw materials and methods. In fact, United Coatings has the highest raw material cost as a percentage of sales in the paint industry—over 63%!

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How our quality works for you.

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NHCN's 1984 Consumer Attitude Survey

Brand names play important but limited role

Product Buying Anatomy

Importance of store in buying decision

All U.S. households — Mean rating 1 = low/9 = high

Rank	Product	Mean Store Rating
1	Stationary power tools	5.94
2	Wall/house paint	5.72
3	Portable power tools	5.64
4	Paint brushes/rollers	5.60
5	Hand tools	5.38
6	Floor tile	5.31
7	Lumber/plywood	5.10
8	Water heater	5.09
9	Storm doors, windows	5.00
10	Ceiling fan	4.97
11	Plumbing, pipes, fittings	4.91
—	Wallpaper	4.91
13	Caulking/sealants	4.81
14	Bathroom sink, vanity	4.80
—	Replacement windows	4.80
16	Interior light fixtures	4.79
17	Kitchen cabinets	4.75
18	Screws/nuts/bolts	4.73
19	Painting tools	4.70
20	Wall paneling	4.69
21	Kitchen sink	4.65
22	Shower door	4.62
23	Faucets	4.57
24	Medicine cabinet	4.56
25	Garden hose	4.53
26	Sprinkler	4.52
27	Roofing	4.48
28	Locksets	4.40
29	Ceiling tile	4.38
30	Power lawn mower	4.35
31	Molding	4.32
32	Window blinds	4.31
33	Garage door opener	4.29
34	Electrical sockets, switches	4.27
35	Fencing	4.17
—	Home insulation	4.17
37	Electrical wiring, cable	4.11
38	Sheet vinyl	4.10
39	Gutters, downspouts	4.08
40	Mirror tile	3.77

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

- *Tools, paint and lumber all received a high mean store rating indicating that consumers place more importance on the store where they buy these products than they do for such products as gutters and mirror tile.*

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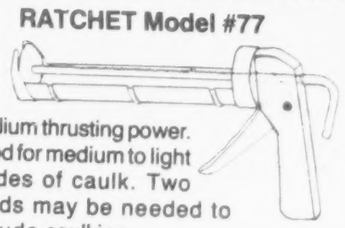
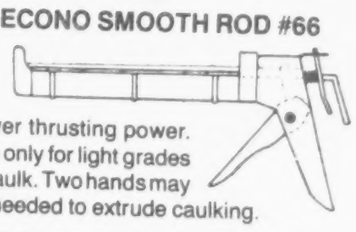


Medium thrusting power. Good for medium to light grades of caulk. Two hands may be needed to extrude caulking.

ECONO SMOOTH ROD #66



Lower thrusting power. Use only for light grades of caulk. Two hands may be needed to extrude caulking.

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(Continued from page 19)

This finding is particularly interesting in light of the efforts taken by several large commodities manufacturers of products such as insulation and ceiling tile in developing brand identity for their products. As it turns out, consumers are aware of specific brands and say they prefer one over another, but in the end, that name isn't nearly as important as how much the product costs, whether it "looks good" or what kind of warranty it bears.

The dealer, then, could be paying suppliers for brand name support when, in fact, consumers aren't demanding it, or could be developing a private label program that turns out to be extraneous to a product's sale.

In several cases, the study found that brand recognition is superseded by a consumer's preference toward one store, and the value he places on that store's service, selection, delivery, credit policy.

More than three-fifths of all the households in the study showed a preference for one store in their buying of all the products mentioned, with 25 of the 40 items receiving an 80% store preference response. In addition, the study's national mean average among consumers for store importance, based on a one-to-nine scale, was 4.18. (The study gives the mean average for store importance on each of the products listed.)

On lumber/plywood, store doors/windows and, to a lesser degree, gutters, insulation and sheet vinyl, the store is more critical to a customer's buying patterns than brand name, and on these products the dealer's marketing efforts could have a definite effect on overall sales.

A more complete product merchandising and marketing strategy can also be formed on a product-by-product basis when store and brand importance are in combination, so dealers can assess how much leverage these factors have in generating the sales of each product group.

By comparing the relative mean store and brand importance averages for every item, and plotting these on a scatter diagram, the study has broken the products into four clusters that indicate what factors tend to drive consumers buying decision and how dealers could be merchandising these items most effectively.

The first quadrant is products that registered both high store importance and high brand importance, such as caulking, paint, hand, portable and stationary power tools, water heaters, ceiling fans and floor tile. When these two factors are leveraged together the study suggests that dealers have the potential to develop "killer" departments, for these products. If the store's image and the strength of the brand name are combined in a high profile treatment in the store, retailers can generate higher sales and profits, and help draw traffic to other departments.

(It is not surprising that many of the products in this quadrant are the ones in which Sears is the dominant retailer, where store and brand are virtually synonymous. Hechinger has also taken this tack recently by remerchandising its stores' tool departments to feature Black & Decker's well-known line in equal partnership with the chain's own status among shoppers.)

(Continued on page 69)

Product Buying Anatomy

Importance of brand in buying decision

All U.S. households — Mean rating 1 = low/9 = high

Rank by brand rating	Product	Mean brand rating	% of households specifying brand preference (rank)
1	Stationary power tools	7.04	75.9% (2)
2	Portable power tools	6.53	78.5 (1)
3	Wall/house paint	5.59	58.1 (3)
4	Garage door opener	5.25	55.3 (4)
5	Faucets	5.01	38.3 (9)
6	Hand tools	4.93	51.3 (5)
7	Power lawn mower	4.71	43.5 (7)
8	Water heater	4.61	33.3 (10)
9	Floor tile	4.53	32.8 (11)
10	Locksets	4.49	42.6 (8)
11	Ceiling fan	4.39	31.8 (13)
12	Sheet vinyl	4.37	49.4 (6)
13	Window blinds	4.31	30.9 (15)
14	Caulking/sealants	4.14	31.4 (14)
15	Storm doors, windows	4.05	15.9 (23)
16	Painting tools	3.89	24.3 (18)
17	Home insulation	3.78	32.7 (12)
18	Sprinkler	3.65	28.3 (17)
19	Kitchen sink	3.63	17.7 (21)
20	Wallpaper	3.46	14.4 (25)
—	Bathroom sink, vanity	3.46	23.6 (19)
22	Roofing	3.45	10.6 (30)
23	Wall paneling	3.36	11.6 (29)
—	Ceiling tile	3.36	29.8 (16)
—	Interior light fixtures	3.36	10.5 (31)
26	Fencing	3.23	14.2 (26)
27	Plumbing, pipes, fittings	3.21	19.3 (20)
28	Paint brushes, rollers	3.11	12.6 (27)
29	Lumber/plywood	3.08	10.1 (32)
30	Replacement windows	3.02	15.3 (24)
31	Molding	3.01	0 (40)
32	Gutters, downspouts	2.93	6.8 (34)
33	Kitchen cabinets	2.92	12.0 (28)
34	Electrical sockets, switches	2.85	16.3 (22)
35	Electrical wiring, cable	2.75	5.5 (37)
36	Medicine cabinet	2.71	4.2 (38)
37	Mirror tile	2.66	5.7 (36)
38	Shower door	2.53	4.0 (39)
—	Garden hose	2.53	6.5 (35)
40	Screws/nuts/bolts	2.49	7.6 (33)

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

- *The importance of brand varies widely with stationary tools at the top of the list, getting a rating of 7.04, and fasteners at the bottom of the list, with a brand rating of 2.49. In general, consumers seem to place greater emphasis on the store where they buy a product than they do on who makes a product. And, the degrees of brand preference, product to product, vary widely.*

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NHCN's 1984 Consumer Attitude Survey

Brand importance varies among 40 products

(Continued from page 66)

The second quadrant finds products that received high store importance grades but lower brand importance, such as paint brushes, lumber, kitchen cabinets, wallpaper and lighting fixtures. In this group, who sells the product is far more important than who makes it, the consumer buying decision. This suggests that opportunities abound for dealers to develop private label programs for selected items but would be wise to use high quality generics to help maintain the image of the store as one that stocks high quality products.

In the third quadrant, consumers attach a good deal of importance but don't really care where they make the purchase. Retailers need to be particularly sharp on price when selling these products which include sprinklers, lawn mowers, garage door openers, insulation, sheet vinyl flooring and locksets. Dealers should be careful in making a substantial investment however in their marketing support of this product group because with a lower degree of store loyalty on these products, promotion could help the competition as much as it helped the home center promoting the product.

The fourth and final quadrant shows products where little store or brand importance is associated with the buying decision. Roofing, fasteners, gutters, wall paneling, electricals, shower doors, fencing and garden hose are among these kinds of products. (That consumers gave fasteners such a relatively low score here suggests the branded marketing campaigns being waged by such suppliers as Stanley, Swingline, VSI and Arrow could be falling on deaf ears.) However, the study also suggests that consumers simply place a higher priority on product features—the materials they are made of, craftsmanship, design and value—than on who actually makes these products or who sells it. Such marketing investments could, in fact, elevate the importance of brand in the future to consumers.

The Consumer Attitude Study states that dealers selling these products in the low store/low brand quadrant should make sure their stores maintain an adequate supply of the goods, and that the departments selling the merchandise are, for the most part, self-service, so that merchandising and operational investment can be committed to those product groups that need it most.

Product Buying Anatomy

What homeowners expect to spend on home improvement projects
by product purchase*

Rank	Product	Expected expenditure (mean $'s)
1	Plumbing, pipes, fittings	$7,903
2	Electrical wiring, cable	7,384
3	Kitchen sink	7,287
4	Floor tile	6,886
5	Medicine cabinet	6,787
6	Home insulation	5,580
7	Kitchen cabinets	5,553
8	Bathroom sink, vanity	5,315
9	Caulking, sealants	5,234
10	Int. light fixtures	5,219
11	Ceiling tile	5,179
12	Water heater	5,033
13	Ceiling fan	4,894
14	Storm doors, windows	4,864
15	Mirror tile	4,824
16	Shower door	4,805
17	Screws, nuts, bolts	4,783
18	Window blinds	4,756
19	Replacement windows	4,747
20	Gutters, downspouts	4,698
21	Paint brushes, rollers	4,619
22	Garage door opener	4,528
23	Faucets	4,518
24	Portable power tools	4,494
25	Molding	4,467
26	Stationary power tools	4,286
27	Wall paneling	4,238
28	Wallpaper	4,076
29	Lumber/plywood	3,963
30	Roofing	3,834
31	Sprinkler	3,775
32	Painting tools	3,637
33	Wall/house paint	3,600
34	Hand tools	3,557
35	Electrical sockets, switches	3,443
36	Locksets	3,154
37	Floor coverings	2,925
38	Fencing	2,824
39	Power mower	2,653
40	Garden hose	2,592

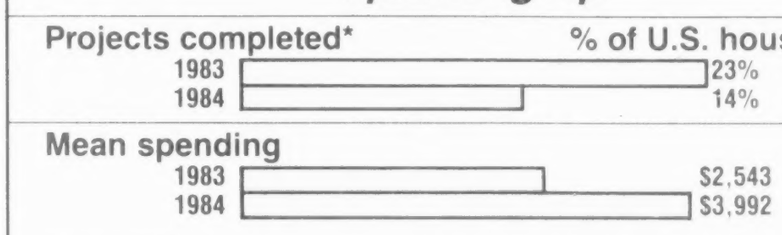
*Figures are estimates by those who planned to buy each product, who indicated they "definitely" or "maybe" planned a major home improvement project in the next 12 months.

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

Seemingly low ticket product purchases can translate into a future big ticket project expenditure. Households planning to buy plumbing fittings or electrical wiring who also plan major home improvements, expect to spend much more on those projects in the coming year than households buying such products as power tools, lumber and locksets.

NHCN Home Improvement Update

Home improvement activity down; spending up



*Remodeling, renovations, additions in past 12 months

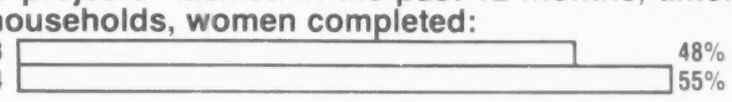
Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

The number of home improvement projects completed in 1983 dropped sharply—by one-third—from 1982, but the size of a project rose nearly 60% in dollar expenditures per project. Thus, the industry prospered from fewer but bigger projects in 1983.

NHCN Home Improvement Update

Women did the work

Of the projects* tackled in the past 12 months, among U.S. households, women completed:



*Remodeling, renovating, major home improvements

Source: *National Home Center News;* Leo J. Shapiro & Assoc. ©1984

In 1984, women completed the majority of major home improvement projects.

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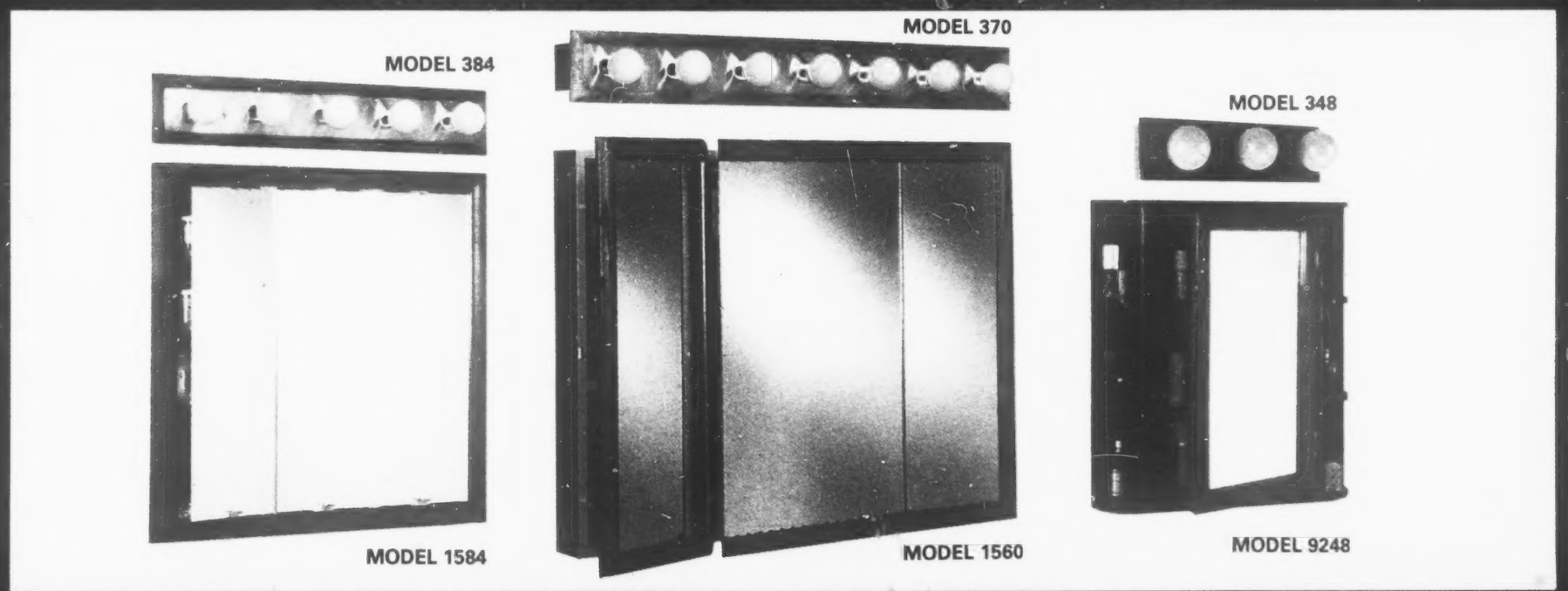

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Manufacturers urged to voice opinions to Gov't

(Continued from page 4)
counterfeiting and dumping. "We have to stop these illegal and pernicious acts," he said.

Jeffrey Lange, a former official with the International Trade Commission and currently working with the minority trade council of the Senate Finance Committee, told the audience that the impression that Congress was protectionist was "a myth," and explained that the mood of most Congressmen was to promote fairness. "But fairness means one thing to the I.T.C. and another thing to the Justice Department."

He noted that more and more industries which, at one time, favored free trade were now seeking Government quotas and protection. And, he added, the current administration could be pressured politically to grant such concessions,

He predicted, therefore, that subsidies of some kind could be forthcoming from the Government to industries as part of an evolving Industrial Policy, that he feels will deal with other countries on a regional, instead of multinational, basis. But Lange noted that it was more likely that Congress would help smaller industries because "they can do that and save jobs without upsetting any national policy or mandate."

Michael Aho, a trade analyst working with Sen. Bill Bradley (D-N.J.), also indicated that subsidies to make American industries more competitive may be in order. "The United States is the only industrial country where subsidies as a percentage of the Gross National Product have not increased over the last decade."

feited goods was needed, and he expected a "major" piece of legislation to be introduced to Congress by 1986. "The objectives, reforms and structure of that bill will depend on what indsutry needs, so your voice needs to be heard early," he told the group.

However, Aho blamed most of this country's import problems on the 25% overvaluation of the dollar on international markets, which, in essence, imposes a "25% tax" on American producers. "Our currency is really out of sync with the world market, and it may take three years to right itself," he lamented.

Alan Wolff, a local attorney with vast experience in trade negotiations for the Government, said the dollar problem was compounded by the dilemma of the International Monetary Fund's recommendation to developing countries with huge debt to export as much as they could to the United States and other countries, putting even more pressure on American products. "It's not exaggerated to say that the U.S. Treasury is, in essence, 'paying' the banks owed these huge loans on the backs of United States manufacturers," he said, adding that 70% of all American products now had foreign-made competition.

Wolff said the mood in Congress right now was that foreign trade is "unfair," and he, too, though major trade reform could be debated as early as next year. He also pointed to pending anticounterfeiting legislation still in front of the Congress as positively affecting future American competitiveness.

But he noted that it was incumbent on manufacturers to air their grievances coherently to legislative and Administration officials, who Wolff said were very responsive to receiving support from American companies. "The way legislation affects your industry is entirely in your hands," he said.

Sen. Ernest Hollings (D-S.C.) told the AHMA members that the United States had been in a "trade war" for the last 25 years, "and the United States has not been in attendance since the last quarter."

"We have Japanese robots assembling Japanese parts and we're calling them American cars," he said sarcastically.

Hollings, who briefly ran as a Democratic nominee for president, said that "we need a Government on our side, and if you took the current laws and enforced them, you'd be all right."

He suggested that a Trade Council similar in structure to the National Security Council under the aegis of the President be enacted to counteract the erosion of American products domestically and on the international market. However, he noted that American businessmen are generally opposed to that sort of thing, "and don't want to get anything done right now because American industry has a higher priority: reelect Ronald Reagan."

A similar message was relayed by Rep. John LaFalce (D-N.Y.), who chairs the House subcommittee on economic stabilization.

He stated that that "arsenal for assisting industry is already gigantic," noting that more than $100 billion were spent last year on Federal aid programs to business. But, he said, this aid has not been focused on international competitiveness.

Hardware makers debate import strategies

(Continued from page 4)
many complaining about Government regulations, labor costs and other factors that they say drain profits from their coffers.

However, Fernando Halpern of Red Devil made an impassioned and convincing argument that United States manufacturers have faltered in the world market partially because they have yet to understand "cultural differences" of other countries.

He alluded to an executive of a $75 million company he knew that did not know where Brazil was, and stated that American businessmen show a remarkable ignorance about culture, literature and business of other societies.

Most of the hardware manufacturers, in spite of their skepticism about the Government and the prospects for manufacturing in the country, want to produce here, and are pragmatic enough to realize that they need Government to combat illegal imports. The last part of the forum was used to discuss possible methods of action.

John Yochelson, of the Georgetown Center for Strategic and International Studies who moderated the Forum, suggested that the hardware industry "needs to have its objectives and compromises in sync" when approaching Washington for help.

On the basis of the information discussed during the two-day forum, Yochelson said AHMA's trade agenda should focus on "forcefully addressing" this country's budget deficit, its currency valuation and its macro-economic structures.

He also said that manufacturers needed to press the Government to force other nations to relax tariff barriers and open up their markets for United States exports. And, perhaps most importantly, Yochelson said the industry needed to lay out exactly what it wanted the Government to do about import penetration into the United States. "In many respects, the ball's in your court."

Erb's fiscal comeback focuses on consumer

(Continued from page 3)
By this fall, Snyder plans to have additional merchandising ideas installed in the store, which was increased in size from 4,000 to 10,000 sq. ft. These include expanding the plumbing department from its current 50 linear feet, and labeling individual grades of lumber by hanging signs from chains.

While the Royal Oak store presents a picture that is far more glamourous than the traditional Erb lumberyard with its uninspired merchandise presentations, Snyder pointed out that a prototype for the chain has not yet been developed.

Indeed, company president Fred Erb has emphasized that the remerchandised store does not possess the degree of sophistication the stores in his chain need in order to battle for the consumer dollar.

"The presentation there [in the Royal Oak store] is not the best merchandising," said Erb. "I'm talking about the kind where you walk into the store and the presentation tells you to buy."

While Erb stated that he wants to start working toward uniform merchandising "as soon as we can," it's clear to the visitor that the chain faces a formidable challenge in bringing all of its stores into a posture of unified product presentation that will allow the company to get the biggest return on its advertising dollar, and develop a synergy in the minds of consumers.

Acquisitions hurt uniformity

The reason behind this problem is that Erb Lumber has always expanded by acquisition rather than by new construction. While this strategy has helped the chain in the sense that acquiring an old (and often financially troubled) store is less expensive than purchasing a new one, and that an acquired store brings with it trained personnel that are becoming ever more difficult to obtain otherwise, the unfortunate negative aspect is that every Erb store has a different size and layout. Furthermore, many of them possess the smaller footprint characteristic of traditional contractor yards. Developing a unified corporate look for stores with such disparity will be extremely difficult.

The most dramatic need for a uniform prototype is in the Detroit area where Erb, with its six stores, is outnumbered by Church's Lumber Yards' 12, Forest City's seven, Pine Lumber Cashway Stores' 12, and a number of independents, such as John R. Lumber with three stores.

Further, the market has begun the heat up. Most recently, Church's opened a new store in September just five miles from Erb's $4 million outlet on Farmington Road in Livonia, Mich.

"Church's was sending us a signal, about what would happen if we don't wake up," said Snyder, who added that the new store has a negative impact on the business at the Farmington Road store. "Obviously, we didn't scare them out of town," he added wryly.

Snyder noted that Church's has been looking at other real estate locations near Erb stores, and about a year and a half ago went to more aggressive, full page newspaper ads.

Church's has also taken some merchandising steps that Erb has not. These include a memorable logo, brightly colored graphics on the front of its stores, aisle identification signs, and more attractive point-of-purchase displays.

Furthermore, earlier this year Forest City began taking steps to more fully cultivate the lumber market by emphasizing the product in its newspaper ads.

While the chain will be reformatting in the months ahead, the goal of greater corporate control of merchandising is being enhanced.

The consolidation of kitchen cabinets and windows, and other merchandise in a single DC means that stores can be serviced once or twice a week for the products, compared with the once every two weeks they were serviced before. As a result, stock outs at stores are reduced.

Television ad spending tops $4M

(Continued from page 3)
in first place on the list, with $1.25 million spent on TV advertising in January through March 1984, compared to last year's $895,000. The biggest climbs were for its Payless and Furrow units, which increased their ad spending by 49% and 40%, respectively.

However, the biggest jumps in ad spending within the top 15 chains were made by Lowe's, based in North Wilkesboro, N.C., and Mr. Goodbuys, based in Philadelphia. Both these companies are currently expanding their market bases.

Lowe's 119% jump from $50,400 last year to $110,400 this year is probably due to the 240-unit chain's on-going strategy to increase its market share of retail customers.

Meanwhile, Mr. Goodbuys' advertising manager, Roger Sless-kitain, attributes the four-unit chain's 112% increase to the company starting to advertise in the New York market, and to the overall expansion of market share being gained by all of its stores.

Irvine, Calif.-based Builders Emporium stood out on the list for having a sharp 77% decline in TV ad spending, from $502,200 last year to $115,300 this first quarter. No one from the company was available for comment.

Similarly, the Home Depot posted a 17% drop in TV ad spending during January/March 1984, from $304,700 last year to $251,700 this year.

However, the numbers may not completely reflect Home Depot's TV ad activity. Home Depot spent significantly in Phoenix, but these figures reflect TV time purchased, and not how much, if any, is reimbursed with co-op money; and an unknown amount is credited to manufacturers instead of local stores.

In addition, four companys which were not advertising during the first quarter of 1983 entered the top-15 list this year.

That one of these "newcomers"—Home-Pro Warehouse—rocketed to fourth place, spending $381,900 for the period of January through March, reflects the mushrooming of warehouse stores.

The Texas-based Home-Pro Warehouse opened its first store in May 1983, had five stores by Jan. 1, this year, and plans to have 11 by the end of 1984.

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HOME CENTERS' HARDWARE EDGE

Home centers are adding more merchandise and square footage to their profitable hardware departments, the subject of an NHCN *special section that begins on page 39 and includes department layouts of four major chains, including The Home Club (above).*

HOW moving into 8 states with 12 units by year end

By Phillip M. Perry
NHCN associate editor

COCONUT CREEK, Fla.—HomeOwners Warehouse plans to open 12 stores in eight new states by the end of this year.

The company expected to launch its third store, a 70,000-sq.-ft. warehouse operation with an attached 10,000-sq.-ft. garden center in Augusta, Ga., this month. The new store, with a showroom that is some 10,000 sq. ft. larger than former HOW stores, takes the company out of its home state of Florida for the first time.

HOW has also nailed down leases in the previously unannounced cities of Melbourne, Fla., Tampa, Fla., Virginia Beach, Va., Hampton, Va., Langhorne, Pa., Turnersville (Camden), N.J., and Oklahoma City, Okla.

Additionally, the company has signed leases in the previously announced cities of Jacksonville (Orange Park), Fla., Nashville, Tenn., Chicago (Burbank) and Columbus, Ohio.

"At this point it looks as though we will open three stores in October, three in November and three in December, with the rest spilling over into early next year," said Pat Sher, president of HOW.

Shortly after its acquisition by Service Merchandise in June of 1983, HOW said it would be a four-store chain by the end of the last year. The fact that the company did not expand to more than two stores, even though its acquisition by Service Merchandise was supposed to provide an opportunity for accelerated growth, sparked questions in the industry about the chain's intentions.

However, Sher indicated earlier this month that the delays were a natural outgrowth of the company's desire to get the right site deals and, as importantly, top level personnel for its store management teams.

"Part of the reason we delayed openings was the time involved in getting the right store personnel," said Sher. "We became very concerned that we have our team put together [be-

(Continued on page 93)

Expansion persists despite tumbling housing trend

NHCN staff roundup
Written by senior editor John Caulfield

NATIONAL REPORT — A year ago, the industry was in the throes of its most successful summer, with many home center chains reporting record sales and earnings.

Sales are still strong for most companies, but the industry as a whole appears to have slowed down a bit. A combination of bad weather, dropping commodity prices and erratic housing starts due to the creeping effects of high interest and mortgage rates have all contributed to this leveling off.

Dealers claim these factors have thus far impacted their businesses only marginally. They note, though, that something will need to be done after the November Presidential election to bring interest rates and the budget deficit down to ensure sales and profit growth in the industry and throughout the economy.

But for the time being, retailers and wholesalers are taking a "live for today" attitude. They do not see economic downturn coming for the rest of the year, and are cheering on 1984 with expansion, advertising and remodeling programs that reflect their optimism.

"If you plan to do less business, you will," said Ed Seymour, president of Forest City in Cleveland. "We're increasing inventories right now beyond plans, and we're aggressively promoting. We look for a continuation through the third quarter of the conditions that existed in the first half."

C. C. Snyder, vp merchandising for Builder Marts of America, the Greenville, S. C., dealer services group, noted that the industry was envincing "the appearance of caution." But after experiencing an "excellent" first half, he said, BMA "is still banking on strong sales for the rest of the year."

Most industry executives

(Continued on page 94)

NEWSBREAKS

HANDYMAN SELLS OFF HOMER'S STORES. Handyman, the San Diego chain, has agreed to sell 15 of its 21 Texas and Oklahoma stores to Ross Stores Inc., an off-price apparel retailer in San Francisco. This deal, coupled with the eventual sale of its other six stores in the market, the liquidation of its inventory and the sale of its Texas distribution center, is expected to net Handyman $40 million in cash.

INSIDE:

Scotty's will battle HomeOwners Warehouse in Jacksonville, Fla., with a new store format by year-end . . . . . **Page 2**
NHCN survey examines the impact of warehouse stores in the volatile Phoenix market 15-22
The 1984 National Hardware Show preview 31-33

WICKES REALIGNMENT:

Chanin resigns; Sigoloff plans to stay

By Brad Altman
NHCN West Coast editor

SANTA MONICA, Calif. — In the highest-level management change since Wickes Cos. began Chapter 11 proceedings in April 1982, Jeffrey Chanin, excutive vp and part of the three-member office of the chairman, has left the company.

Chanin's departure followed the decision by Sanford C. Sigoloff, 53, Wickes chairman, president and ceo, to enter into a five-year employment agreement with the company.

Earlier, industry observers had speculated that Sigoloff would resign at an unspecified time following Wickes' emergence from bankruptcy proceedings, creating a vacancy that Chanin would fill.

"Several others had commented to me that that was their expectation," said Chanin. "I guess life is full of surprises."

Chanin, 43, has been on vacation and leave of absence from Wickes since his departure June 25, and is expected to finalize a formal termination agreement—including resigning from his director's seat—when the company's reorganization plan is approved.

His departure was revealed in a disclosure statement that also contained previously reported details of the reorganization plan. With court approval of the disclosure statement (*NHCN*, July 16), Wickes' creditors, shareholders and bondholders are now being mailed ballots to vote on the plan.

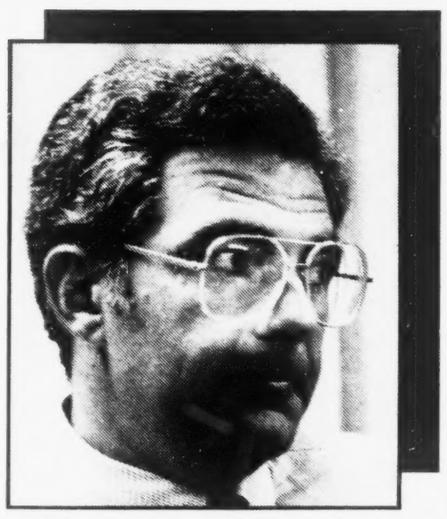
If they approve the plan, final court confirmation hearings would be scheduled in late September and an initial cash distribution would take place in late December.

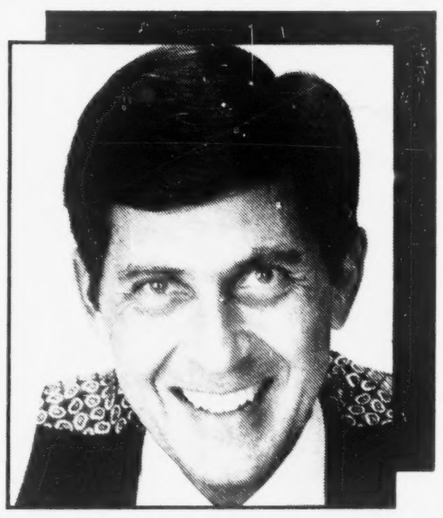
The disclosure statement said Chanin is leaving Wickes by "mutual" agreement.

"I had a job that I found interesting and challenging, and when it was over I was looking for something else to do," said Chanin, who, as the No. 2-ranking executive of Wickes and former bankruptcy attorney, was a principal architect of Wickes' reorganization plan.

"I want to take it easy a little bit," Chanin continued. "Basically, I'll be looking for another challenge shortly."

(Continued on page 93)





Jeffrey Chanin (left), part of the three-man office of the chairman that helped guide Wickes through Chapter 11 proceedings, resigned shortly after the decision by Sanford C. Sigoloff, chairman, president and ceo, to remain at the company for five more years. NHCN photos

K MART UPDATE

Discounter made Denny offer too good to refuse

By Kenneth Schept
NHCN executive editor

SAN ANTONIO — In May, soon after K mart and Hechinger abandoned plans to open warehouse home centers together, K mart was contacted by William K. Woodruff & Co., a Dallas investment banking firm representing Home Centers of America.

HCA chairman Frank Denny actually was not inclined to sell the nine-store Texas warehouse home center chain that he had helped form just 15 months earlier in February 1983. He had rebuffed suitors before and this was an unlikely time for him to be successfully romanced.

It was a year since his first store opened in San Antonio over Memorial Day weekend, 1983. After four quarters of losses the chain had shown its first profit—a net of $782,742 on sales of $23,267,390.

In addition, 2,420,000 warrants, issued as part of the original public offering, were soon to be redeemed at $5 per share, a conversion that would provide roughly $12 million and dispell any doubt that the start-up company

(Continued on page 93)

NHCNews Briefs

Industry Update

Barton replaced at Belknap

LOUISVILLE, Ky. — At presstime, *NHCN* has learned that Jerry Barton, who had served as Belknap's president for more than four years, has been replaced by the company's new owners with Frank Lambert, previously an industry consultant.

Also resigning from the company was William L. Seale, its secretary treasurer, who has not been replaced. In April, John R. Baker, Belknap's director of purchasing, had resigned.

Belknap, a hardware wholesaler here, had been merged with the Concord Corp. division of Humana, a health care company, on June 29 after a very tough investors' battle that included a failed attempt by a group headed by Barton to take the company private through a leveraged buyout.

After the merger, Humana's chairman, David Jones, decided to bring in his own management team headed up by Lambert, who had run his own consulting firm, Rogers and Lambert, in Louisville. "Replacing Jerry was strictly a business decision," Lambert explained. "It's not unusual for new owners to want to start fresh with new management." He added that he has had a "longstanding personal and business relationship" with Jones.

Barton, who officially resigned on July 10, had told *NHCN* that he had expected to remain as Belknap's president (*NHCN*, May 7), and anticipated only minor changes in the company's management format.

He was scheduled to be the keynote speaker at next month's National Hardware Show in Chicago. He will be replaced by Richard Lambert, humanity director for the National Retail Hardware Assn.

Goodbuys plans 2 whse outlets

PHILADELPHIA — Mr. Goodbuys plans to launch two 100,000-sq.-ft. warehouses in September.

The units will be located in the Philadelphia western suburb of Springfield and in Cedonia near Baltimore.

Next year the chain plans to open a minimum of five outlets, which would more than double its current store count. The chain now operates two units in Philadelphia, one in Baltimore and one in Metropolitan New York and Union, N.J.

By the end of 1985, Mr. Goodbuys should be in a new market, according to Steve Erlbaum, president. He declined to specify the market but acknowledged that the company is exploring site possibilities in Washington.

He said that the company plans to double its business each year for the next several years. With four stores last year the company achieved about $26 million in sales.

Mr. Goodbuys had 105,000 sq. ft. of selling area at the beginning of last year and shortly after year's end had added more than 65,000 sq. ft. by relocating the Union, N.J., store to a nearby, larger location and expanding the other existing stores.

Total sales for the four-store chain now exceed $10 million per unit, according to Erlbaum.

The new stores set for September will involve untypical retrofit situations. In Baltimore the company is gutting a mall and converting the entire strip into a Mr. Goodbuys store.

The new Philadelphia outlet will take shape inside a former helicopter plant.

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Vol. 10, No. 16 July 30, 1984

Scotty's unveils two new formats to solidify Florida market position

By Phillip M. Perry
NHCN associate editor

WINTER HAVEN, Fla. — When Scotty's goes up against HomeOwners Warehouse in Jacksonville, Fla., at the end of this year, it will be with a much different store than the units it used to compete against warehouse operators such as Home Depot and Lindsley in the past.

The company has identified that city, along with Ocala, Fla., as the first two sites for its larger formats that have been developed to help the chain compete in a changing Florida marketplace.

Slated to open in December of this year, both the Jacksonville and Ocala Scotty's will have 49,000 sq. ft. of space under one roof. Some 28,000 sq. ft. of that space will be an air-conditioned showroom. This compares with the typical 39,000 sq. ft. of space—7,200 sq. ft. of which was showroom—for the chain's traditional stores.

The Jacksonville store format is one of two new formats developed by Scotty's. The other, to be used in more rural stores, consists of 42,000 sq. ft. of space under one roof and 8,200 sq. ft. of air-conditioned space (*NHCN*, June 4).

Even if the showroom of the larger format proves to be too small, the chain can alter it by reducing the space in the warehouse section of the stores.

"Flexibility is the key word," explained company president Ray Cooney. "There's nothing to keep us from expanding the showroom still more" if the market demands it.

The larger showroom is specifically designed to help the company compete against warehouse stores such as the one HOW announced it would open in Jacksonville this year.

Although there are no warehouse stores currently serving the Jacksonville area, HOW has broken ground for a warehouse store to be opened this fall, and both Home Depot and Lowe's have been reportedly looking for one or two sites in that city. Scotty's currently has seven home centers of trasitional design in the market.

"What we are saying is that there is more than one way to go to market," added Cooney, in explaining the reasoning behind the development of the two new formats. "We will use the larger format in larger metropolitan areas that are subject to the approach of warehouse home centers, and the smaller format in rural or semirural areas."

Over the next 12 months, Scotty's plans to construct 10 new home centers. All of them

(Continued on page 4)

High mortgage rate, home prices deal double housing market blow

WASHINGTON — High mortgage rates and rising home prices caused existing homes to be less affordable in May than April, according to the National Assn. of Realtor's affordability index.

The May index stood at 87.2, a drop of 0.6 percentage points over the previous month, when the index reached its highest point in four and a half years.

However, Dr. Jack Carlson, chief economist with the association, sees this slight decline as significant and a "further blow to housing affordability." He believes that as interest rates climb the index could fall to between 78 and 82 in the next four quarters.

May's affordability index means that a household earning the United States median family income of $25,420 had 87.2% of the $29,148 needed to qualify for a mortgage on a median-priced resale home. This home cost $73,300 in May, so that the household would have been $3,728 short of the necessary funds.

Although interest rates on conventional fixed-rate mortgages rose to 14.34% in May, their full impact on homebuyers and the houses they could afford was lessened by the continuing influence of adjustable rate mortgages (ARM's), which stood at a 12.07% interest rate for the first initial period. Over 64% of the mortgages closed by major lenders for resale homes in May were ARM's, according to the Federal Home Loan Bank.

Rising median house prices also made existing homes less affordable, with an $800 increase over April. Carlson said this was not unusual for the time of year, which is a peak selling period when demand usually boosts house prices. However, he expected prices to rise still further, with a 5.5% increase in 1984 and a 5.6% rise in 1985 to keep pace with inflation.

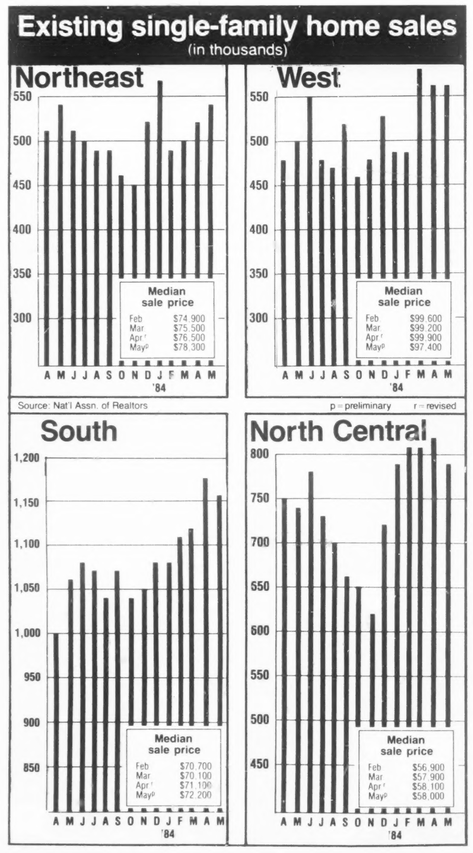
Meanwhile, the Builders Composite Index issued by the National Assn. of Home Builders raised questions about the strength of the housing recovery.

The index, an indicator of future housing activity, declined for the third consecutive month to 77% in May, down from a peak of 83.38% last August.

Ken. W. Colton, executive vice president of the NAHB said it "suggests that the current housing recovery peaked in February," and that unless mortgage rates decline housing starts will fall to 1.5 million seasonally adjusted units by year end.

This monthly index is made up of seven housing variables: building permits, Government National Mortgage Association figures, yields, lumber and plywood prices, the Producer Price Index for construction materials and the confidence index of home buying.

Builders expecting fair to excellent sales of new single-family detached homes had dropped from 83% in April to 68% in May, a steady decline since December's peak of 90%.



Existing home sales in May remained above the three million mark, but fell by 1.3% from April to 3.05 million units, seasonally adjusted, thus ending a five-month improvement, according to the National Association of Realtors. Home sales were down by 3.7% in the North Central region to 790,000 units and in the South by 1.7% to 1.16 million units. The May median resale home price for the United States rose by $800 over the previous month to $73,300. House prices in the West fell by $2,500 to $97,400 their lowest since October 1983.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	5/30-1 mon.	$23,200	$19,495	19.0	—	—	—
Rickel Home Centers	4/28-1st qtr.	68,100	53,622	27.0	—	—	—
Scotts Seaboard	4/28-1st qtr.	9,300	8,303	12.0	$ 190	$ 156	21.8
Standard Brands	4/29-1st qtr.	77,800	67,711	14.9	4,600	3,495	31.6

*$ in thousands

Source: Company reports

STOCK PRICES

	As of 7/10	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	34¼	45	32⅝	14
Edison Bros. Stores (NYSE) [Handyman, Homer's]	34½	46¾	33¾	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	5⅛	19½	4⅞	—
Forest City (AMEX) A	—	—	—	—
Forest City (AMEX) B	15¾	20½	13	30
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	44	50⅜	36½	12
Home Depot (NYSE)	23⅛	31¾	14	47
Lowe's (NYSE)	20	30⅜	17½	13
Michigan General (AMEX) [Diamond Lumber]	5	14	4⅝	26
Pay 'N Pak (NYSE)	15¾	22	12¾	14
Payless Cashways (NYSE) [Furrow]	15½	33½	15	12
Scotty's (NYSE)	12⅝	18⅜	12¾	10
Southwest Forest Industries (NYSE) [Knox Lumber]	18½	22½	12¼	—
Standard Brands Paint (NYSE)	18⅜	26⅜	17⅛	10

Nasdaq—over-the-counter stocks

		As of 7/10	52-week High	52-week Low	P/E Ratio
Color Tile		14⅞	18¼	13⅜	—
Hechinger	A	18¼	24¼	13½	—
	B	18¾	24½	14	—
Homecrafters Warehouse		12	17½	11¾	—
Pay 'n Save		17	29¼	14⅜	—

Over-the-counter stocks

	As of 7/10 Bid	Asked	52-week High (Bid)	Low (Bid)
Erb Lumber	18½	20½	25¼	16
Hines Lumber	36½	37½	41½	25½
Home Centers of America	9⅞	10	15½	6⅜
National Lumber	7½	—	13¼	5¼
Scotts Seaboard [Scott's]	2¼	3	5	2
Wolohan Lumber	4⅜	—	9¼	4¼

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FINANCIAL NEWS

Scotts Seaboard's profits drop slightly in 1st quarter

LINTHICUM, Md. — Poor weather limited sales growth and gross margin declined while advertising and payroll expenditures increased resulting in slightly lower operating profits for Scotts Seaboard and its 17 Scott's stores in the first quarter ended April 28, president Earl R. Halterman Jr. explained.

Operating profit fell from $206,000 in the first quarter of 1983 to $195,000 in this year's first quarter.

Sales were up 12% in the period to $9.3 million as the weather curtailed sales of seasonal goods. Gross margins went down from 29.1% in the year-ago quarter to 28.8% in the first quarter this year at the Baltimore/Washington area chain, Halterman said.

The company showed a post-tax loss from continuing operations of $13,000 in the period compared to a loss of $18,000 a year ago, he said.

First-quarter income was increased by an extraordinary gain of $32,000 from an accelerated payment of debt to bring net income to $190,000 compared to net income of $156,000 in the first quarter of 1983. Net earnings a year ago included $99,000 of income from its discontinued Seaboard Plywood and Lumber wholesale division sold in July 1983 and a $75,000 tax benefit from the utilization of net operating loss carryforwards.

Sales jump 14.9% during first quarter at Standard Brands

TORRANCE, Calif. — Net profits during the first quarter ended April 29 at Standard Brands Paint increased 31.6% to $4.6 million compared to year-ago figures, thanks in part to a 14.9% gain in sales, a better gross profit and a $322,000 gain from the sale of property, officials indicated.

The company's sales reached $77.8 million in the period with sales at Standard Brands Home Decorating Centers increasing 14.5% overall and 12.4% at stores opened for more than a year. Sales at the company's KWAL Paint division fell 1.6% from a year ago because of poor weather, according to officials.

Gross profit margins in the quarter rose from 44.89% a year ago to 44.98% this year, coming from productivity gains at Standard Brands' paint manufacturing plants, they said.

The company was also helped by the opening of three new stores in Orem and Ogden, Utah, and El Cajon, Calif., during the quarter, and by promotions for its Decade paint line and its Total Concept wall coverings line.

Renovation expenses and whse opening slow Rickel earnings

WOODBRIDGE, N.J. — Sales were up 27% but operating earnings rose only modestly at Rickel Home Centers in its first quarter ended April 28, Leonard Lieberman, president of parent Supermarkets General reported.

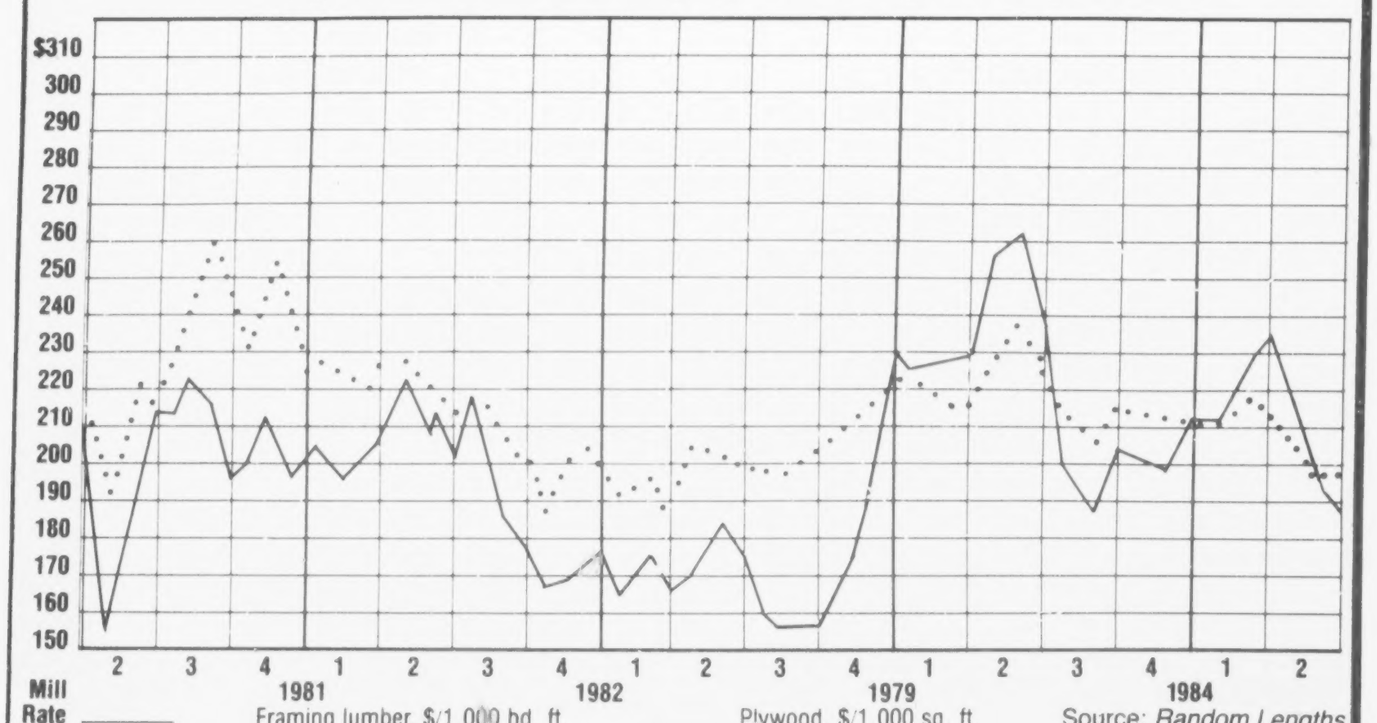
The reasons why

He blamed the small earnings growth on expenses relating to store renovations, including those at Rickel's first warehouse outlet in Warminster, Pa. (*NHCN*, July 2), as well as some increased promotional activity.

Rickel's first-quarter sales, helped by the opening of the chain's 37th store overall in Norwalk, Conn., reached $68.1 million, Lieberman said.

LUMBER REPORT

Composite lumber/plywood price profile



The lumber composite price in June continued its downward trend, which began in March. The framing lumber composite sank to $188 per thousand board feet from $193 in May and $217 in April.

The plywood trend continued to be similar to lumber's but not as severe, as the composite price leveled at $199 per thousand square feet in June from $198 in May and $206 in April.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

Shifting economic picture may have strong impact

NATIONAL REPORT — A year ago, in June 1983, the price of Western s-p-f studs averaged $255 per thousand board feet, according to Random Length's monthly averages. Last month the price of this commodity building species had dropped to $146.

At the end of the month, even at somewhat lower prices, buyers were staying away, according to Palmer's Lumber & Plywood Forecast.

As Random Length's noted, the mills cranked up for an explosive home building year, which now is in doubt. Just as the mills got their production up, interest rates began climbing and the market's psychology shifted dramatically.

Optimism, generated by annualized housing starts of near two million, turned more guarded as the Federal Reserve raised the prime interest rates and builders expressed doubt that housing would remain affordable. Lumber prices began to decline in March as dealers, caught with heavy inventories during the last downturn, learned from that error and bought only for their immediate needs.

"Yet, despite the broad decline of prices, mills continued running to capacity, trying to keep unit costs down and shipments up," noted Random Length's. "The strategy backfired, forcing a 20% break in lumber prices from mid-March to mid-May. Prices are back down to the levels reached at the depth of last summer's slide."

There seems little reason to expect that prices will rebound soon. Recent information from the National Assn. of Home Builders indicates that the housing trade group is gloomy about prospects for the rest of the year.

An index the NAHB uses to measure the strength of the housing market declined in May for the third consecutive month.

"The indicators suggest that the current housing recovery peaked in February of this year," NAHB executive vice president Kent W. Colton, noted in a release. "Unless mortgage interest rates decline, housing activity will decline during the second half of 1984."

The housing affordability index of the National Assn. of Realtors declined in May after hitting its highest level in four and a half years in April.

So far Adjustable Rate Mortgages have been helping to keep housing affordable. In May, 64% of mortgages closed were ARMs.

Jack Carlson, executive officer and chief economist of the National Assn. of Realtors, noted in a recent press release that "a glance at effective commitment rates, those rates quoted by lenders for mortgages to be closed in 30 to 90 days, indicates that little relief is in sight from the climb in interest rates."

With a housing slowdown anticipated, if not yet happening, retailers can be expected to continue their cautious buying patterns. It seems, according to several observers, that the only near-term bounce in lumber prices could come as a result of summer vacation shutdowns, which will slow production.

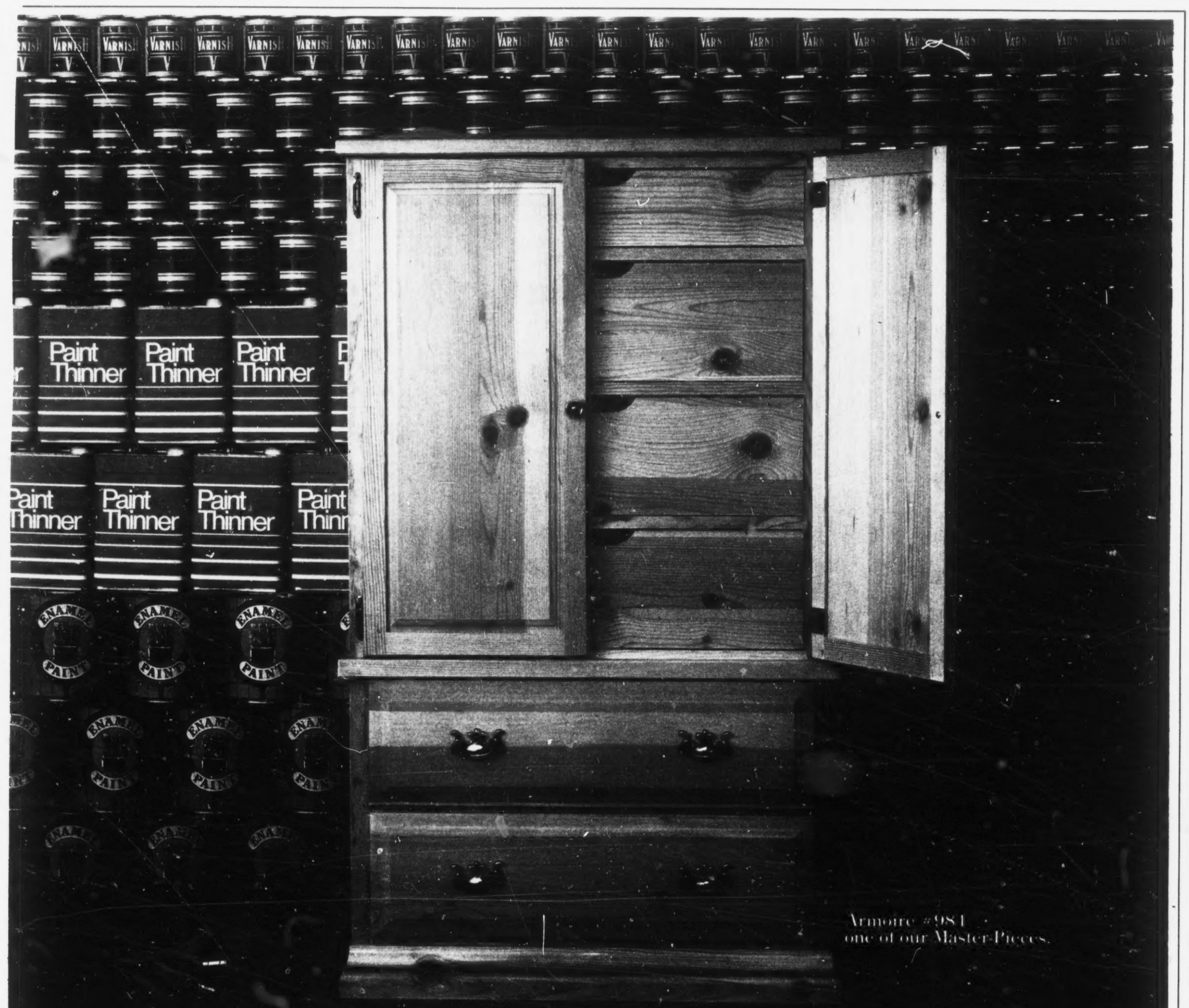
How much such vacation periods will affect prices is not clear, however. "I do not see a big summer rally coming, however, I do see a chance for a small one triggered by some shutdowns," wrote futures trader Don Zwanzig of Seattle's Stotler & Co., in a weekly newsletter early this month.

Sliding lumber prices are not hurting retailers, although the main cause of the price decline—rising interest rates and a threatened housing slowdown—could eventually have a retail impact.

For now, however, it is the mills that are hurting. There is an active effort to pass legislation that would allow abrogation of expensive Federal timber contracts. And a renewed effort to restrict the flow of Canadian lumber into the United States is not unlikely.

However, such measures do not touch the underlying economic problems that the mills face, which seem to be severe.

"Most sawmills did not make enough money during the recovery to make up for the huge losses of 1980 to 1982," notes Palmer's Lumber & Plywood Forecast. "One cannot rule out a rash of sawmill bankruptcies, should lumber continue to move lower over the next 30 days."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National Hardware Show Issue:
See highlights, page 2

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Home Center News®

Vol. 10, No. 17 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | Aug. 13, 1984

Over 10,000 retailers and distributors attended last month's debut of the Lawn, Garden & Power Equipment Show in Louisville, Ky. NHCN photo

Louisville show labeled success despite its power equipment bent

By Linda Carnevale
NHCN field editor

LOUISVILLE, Ky. — The Lawn, Garden and Power Equipment show that debuted here last month was generally considered a success by dealers, exhibitors and show management.

However, much of the show was not so much aimed at the home center market as at specialty outdoor power equipment and lawn and garden dealers, including those who emphasize commercial equipment.

Also, of the 230 exhibitors at the show, only about 20% were lawn and garden vendors, for despite the show title, the clear majority of exhibitors were outdoor power equipment manufacturers.

Show organizers hope to see these imbalances resolved next year, as they feel that this year's success will encourage more lawn and garden vendors to exhibit in 1985. An increase in lawn and garden manufacturers exhibiting would make the show more attractive to many home center buyers.

Some of the successes of the show included higher than expected attendances, with some 10,500 retailers and distributors walking the floor instead of the expected 6,000. A very pleasant show atmosphere coupled with efficient back-up services was also a strong plus. In addition, many vendors reported having seen most of their major accounts at the show.

The Outdoor Power Equipment Institute (OPEI) said that 55% of the attendees were retailers/dealers, 33% distributors and wholesalers and 12% mass buyers.

As it was, an impressive number of large home center chain and mass merchandiser chain buyers attended the show, which was held in the six-acre hall of the Kentucky Fair & Exposition Center's East

(Continued on page 174)

Hill-Behan starts new chain to lure St. Louis DIYers

By Phillip M. Perry
NHCN associate editor

ST. LOUIS — Responding to an atmosphere of growing competition for the consumer dollar in this city, Hill-Behan Lumber, on July 9, launched the first store in a projected chain of new home centers called Lumber Jack.

"The new store is a response to a set of problems unique to the town," said Patrick J. Behan, vice president of the chain's St. Louis division.

Central Hardware, the $200 million chain of 30 stores headquartered here, is in the midst of a program to remodel all of its 13 St. Louis-area stores into warehouse home centers. And B&B Home Supply Centers, also operating out of this city, said it is developing a long-range strategic plan to prepare for a period of more rapid expansion.

Over the course of the next six months, said Behan, the company would "measure the results" of the new store and reach a decision as to whether to add more stores under the Lumber Jack name.

Hill-Behan's 33 stores move some $75 million of merchandise annually.

By launching what is a separate and distinct business under a new name, the company has sacrificed the economies of advertising that it has enjoyed in the past. However, the new name allows the chain to experiment with a new recipe of merchandising and pricing geared for a changing marketplace, without confusing a public that has become accustomed to the traditional Hill-Behan store.

The new store is specifically intended to attract consumer trade, now only 50% of the company's volume.

The store reflects more of a home center look in the following ways:

- Lower pricing, especially in the area of building materials, "where we have adopted a policy of being competitive," according to one company official.
- Better merchandising, in the

(Continued on page 173)

Payless: Balancing autonomy with HQ control

By John Caulfield
NHCN senior editor

KANSAS CITY, Mo. — Lumberjack Stores, Prime Home Centers and Somerville Lumber "are making more money now than they have in their histories," claims Payless Cashways' president David Stanley.

But the process of bringing these and the four, smaller companies Payless has bought over the past two years into sync with the chain's own growth plans has not always been easy for the company or its employees.

In expanding through acquisition, Payless has attempted to strike a balance between centralization and autonomy, imposing just enough corporate controls to keep track of its growing empire, while trying to preserve the freedom and spirit of the enterprises it now owns.

As Stanley sees it, Payless' current and future growth strategy, and the parameters within which its companies operate, would ideally be similar to that of Federated Department Stores Inc., the $9 billion retailing giant based in Cincinnati, which owns 20 independent companies that run department stores, discount and specialty outlets and supermarkets.

He concedes that Payless is not there yet, but neither is it in the same boat W. R. Grace floated in several years ago when it began the difficult consolidation of its home center acquisitions.

Payless has been more successful in the pursuit of its balancing strategy when the managements of the companies it acquires stay on after the acquisition. However, much to its chagrin, Payless has had more difficulty stepping in with corporate solutions when a newly bought company's leadership packs up and takes a walk, as was the case at Lumberjack and Wood Brothers in Arizona.

When Payless came in with new systems that substituted for what those companies' employees were used to, the operations and sales of the companies, and the chain, suffered.

Ultimately, if this situation continues, or arises in the future when Payless acquires anew, the chain will have to devise a better formula for imposing its will on what are usually very independent, sometimes loosely-run operations.

"The company right now should be running a little better than it is," admitted Stanley. "But Payless prides itself on its freedom, and if I had to choose between a strict operational format or staying with what we have now, in a modified form,

(Continued on page 173)

NEWSBREAKS

GRACE PICKS WAREHOUSE HEAD. W. R. Grace has chosen Frank Doczi to head a chain of warehouse home centers it is developing. Doczi, formerly Moore's senior marketing vp, will report to Grace senior vp Bernard Kossar.

AX FALLS AT BE. Builders Emporium president Tony Swies took early retirement and Steve Capasso, merchandising vp and gmm, resigned late last month in a management shakeup at the 59-store chain. Bernard Kritzer, senior vp at Wickes Cos., BE's corporate parent, is acting president.

WEST REALIGNS MANAGEMENT. West Building Materials president Ed Plemons has been replaced by a triumverate that includes part-owner Mark West and buyers Bill Godwin and Bob White.

INSIDE:

HANDYMAN GETTING more aggressive in its existing markets after the sale of its Homer's units . . . . . **Page 2**
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FORMER PAYLESS VP Pat Giesey is launching a new lumberyard/home center operation in Colorado **163**

NHCN photos

Neiman-Reed's Lumber City private label paint was used to spruce up the Hollywood sign in time for the Olympics. The California home center chain garnered international publicity for its role in the effort, see page 3.

NHCNews Briefs

Industry Update

Channel adds 3 stores in Balt.; chainwide total reaches 100

WHIPPANY, N.J. — Channel Home Centers will open three more new stores in Baltimore by the end of this month, bringing the total in Maryland to eight. Two other stores (Rockville and Parkville) opened in the state earlier this year. The company total is now 100.

The three new stores will employ approximately 300 people, most of them from local areas.

The Dundalk Channel opened July 26 at 7820 Wise Ave., in a former Cook's store.

Two stores will open Aug. 30. One, with approximately 50,000 sq. ft. of space, is located at Belair and Cliftmont Roads on the site of a former Two Guys. The other opening on that date is located in Brooklyn Park at 5105 Governor Ritchie Highway, in a former Cook's. It has 52,000 sq. ft.

The store openings are part of Channel's plan to have six stores in the Baltimore market this year (*NHCN*, Feb. 27). The expansion into Baltimore follows last year's four-store entry into the Washington market and is part of the chain's effort to fill in the Washington-Baltimore Metro Area as real estate becomes available.

Courtesy speeds Chicago growth

MOUNT PROSPECT, Ill. — Courtesy Home Centers is accelerating its expansion in the Chicago market with the opening of its 90,000-sq.-ft. store in Skokie, Ill., in November and has already acquired the site for its sixth store to open in 1985.

Courtesy, which has been in the home center industry for 25 years, now has four stores. The third, in Downers Grove, opened in 1979 and the fourth in Forest Park in 1982.

Courtesy's expansion comes at a time when Forest City is converting to a warehouse format and K mart will be entering the Chicago market as a home-center competitor this fall.

"We have a successful operation, we know our market, unlike K mart, and have a wonderful structure," said Zangwill Munies, vp at Courtesy. So the new store will not be a warehouse one but maintain the style of Courtesy's other units, which Munies described as, "clean, neat, pretty and busy."

Already this year, sales are up on 1983's record-breaking year when the chain increased sales by 43% over 1982 and did $50 million, Munies said.

The Skokie store will introduce a new format for the checkout area. This space-saving design will allow 12 checkouts compared with the chain's usual eight or 10.

The new store will be open for two or three months before the special promotion and advertising campaign officially marks its grand opening in the spring.

Homecrafters sets Louisville sites

PELHAM, Ala. — Homecrafters Warehouse has bought two stores in Louisville, Ky., a 70,000-sq.-ft. former Woolco store on Dixie Highway in the southwest part of the city and a 75,000-sq.-ft. former Sears Roebuck store in St. Matthews to the northeast.

Homecrafters hope to retrofit both units in time for a year-end opening, which would bring its warehouse store count to nine.

This is a new market for Homecrafters Warehouse, which currently operates three warehouse stores in Memphis, one in Denver and one in Nashville.

National Home Center News

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Vol. 10, No. 17 Aug. 13, 1984

$40M Homer's proceeds to fuel Handyman's West Coast recovery

SAN DIEGO — Fresh from the sale of 15 of its 21 Homer's units in the South, Handyman here is taking a more aggressive posture toward expanding in existing markets than it has shown in nearly three years.

The Homer's units were sold for an undisclosed amount of cash and stock to Ross Stores Inc., a fast growing off-price retailer based in San Francisco, that plans to convert the units, ranging in size from 33,000 to 50,000 sq. ft., into off-price apparel outlets.

Once Handyman sells its remaining six units in Texas and Oklahoma, and its Dallas distribution center, it expects to gain immediate net proceeds of $25 million in cash, and $40 million from sale of the 21 stores.

The company will now concentrate its efforts on expanding in California, Oregon and Arizona, where it runs 56 stores. Handyman's president Harvey Rosen told *NHCN* that the chain "had begun to gear up again for expansion about eight months ago." It is currently negotiating for nine new stores that will be located "primarily, but not exclusively in southern California," said Barbara Tucker, a spokesman for Edison Brothers, the chain's parent company based in St. Louis.

The company decided to pull up stakes in its Southern markets because the Homer's stores' sales and operating profit—which Edision Brothers does not break out individually—"always lagged significantly behind Handyman's other regions," said Rosen in a prepared statement.

Between 1978 and 1981, according to Edison Brothers' annual reports, Handyman went from 64 to 80 stores, with sales jumping to $205.3 million from $168 million.

However, the downturn in the economy was taking its toll on the company. In 1980, a year in which interest rates hit 21% and inflation 13%, Handyman experienced a decline in comparable store sales for the first time in 10 years. And when the housing market began to collapse, the chain's operating profit fell to $8.4 million in 1981 from $16.6 million three years earlier.

Nineteen eighty two saw the worse drop in the new starts in the housing industry's history, and Handyman's performance suffered. Its operating profit plummeted to $2.1 million and its sales fell to $200.3 million.

The following year was an entirely different story, though. The chain imposed several cost-cutting measures, including inventory control and reduction. In addition, it closed its three stores in Chicago, and began a very active promotional campaign in all its markets, offering merchandise at 20% off retail.

By year's end, Handyman's sales had risen 19.7% to $239.8 million and its operating profit soared to $8.9 million, a 324% increase. With the economy having improved dramatically over the past year, and Handyman's financial picture being stronger, the chain is again prepared to engage in the consistent, annual store growth that was its custom in the 1970's.

Handyman sells off Homer's

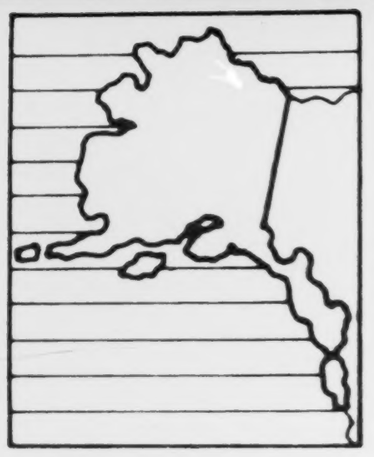
No. of Homer's units sold to Ross Stores Inc.	Location	Homer's stores closed, to be sold
8	Dallas-Fort Worth	1
2	Austin	1
2	Houston	2
1	Longview	0
1	Lubbock	0
0	Wichita Falls	1
1	Oklahoma City	1

Source: Edison Brothers

Handyman has pulled out of its Texas and Oklahoma markets to devote more of its energies and expenditures toward expanding and improving stores in its California, Oregon and Arizona markets.

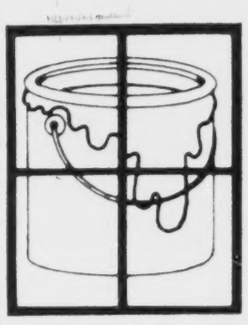
HARDWARE SHOW ISSUE HIGHLIGHTS

Alaska: DIY retailing's last frontier



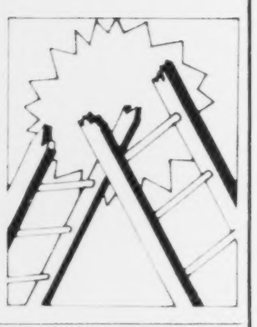
Lumber and building materials retailing in Alaska is roughly where the industry was more than a decade ago in the "Lower 48," with the major emphasis on the professional trade. Shifts in population and the economy brought about, in part, by the pipeline are causing changes, however. The home center approach is gaining a larger following, as NHCN *West Coast editor Brad Altman discovered during visits to Anchorage and Fairbanks. His report begins on* ***page 25.***

Specialty stores: Growing area of home center competition



While some view specialty stores as competition for home centers, others say these outlets actually expand the total market for the merchandise they sell. NHCN *examines two categories of these dealers: Window and paint specialists. See* ***pages 139-143.***

Store safety: Waging war on accidents



Expanded operations, especially as more stores convert to warehouse-style formats, have sparked concern about store safety. How home centers are attempting to reduce the likelihood of accidents and injuries to employees and customers ***pages 89- 92.***

Personality profile: Jay Steiner

A year-and-a-half after selling his seven-unit Lumberjack chain to Payless Cashways, Jay Steiner is ready to plunge back into the home center business with his two-unit warehouse-style operation, Supply 1. For a profile of the man who says he's lived the "American dream," see ***page 133.***

Systems & Operations

Many large home center chains are investing more capital to increase the efficiency of their distribution, ***page 144.***

The National Lumber and Building Materials Dealers Assn. has released a manual detailing costs and characteristics of 18 inventory control systems, ***page 150.***

Merchandising

Some retailers are building thriving businesses selling closed-out and bought-out home improvement items, ***page 50.***

As kitchen cabinet shipments hit their highest level in 10 years, more home centers are starting to express interest in computerized kitchen design, ***page 54-56.***

Lighting displays are being revamped and the departments are being given greater prominence than ever before, ***pages 82-83.***

Advertising & Marketing

Home centers are spending more on television advertising as new technology is cutting costs, ***page 101.***

While many commodity vendors are seeking to raise consumers' awareness of their brand names, retailers claim most shoppers' main consideration is price, ***pages 112-116.***

Forest City's new Chicago TV campaign pokes fun at a napping "Slumber Lumber" competitor, ***page 121.***

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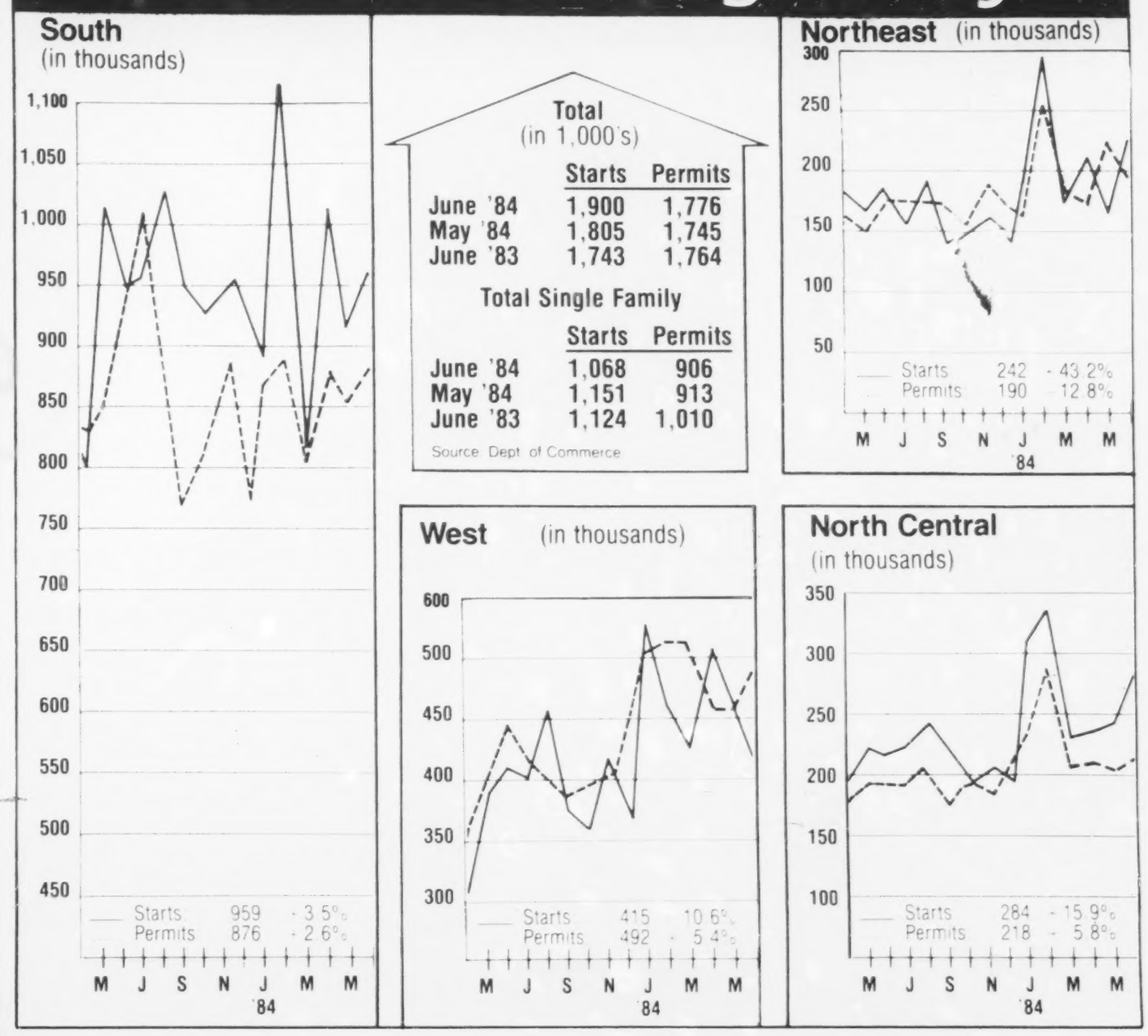
June home-building activity



Total housing starts rose 5.3% in June to a seasonally adjusted rate of 1.9 million units over May's figures. Total building permits, an indicator of future house-building, also rose by 1.8% to a seasonally adjusted rate of 1.78 million units.

The South, although dropping below the one-million mark, remained strong with 959,000 housing starts, up 3.5% from May, and recorded 876,000 building permits up 2.6% over the previous month.

However, single family starts and building permits fell, reflecting the effect of high interest rates.

NHCN, NAB, TVB launching home center ad awards program

NEW YORK — The Newspaper Advertising Bureau and the Television Bureau of Advertising have agreed to join with *National Home Center News* in launching a new nationwide program to recognize advertising excellence in the home center industry.

The cooperative venture is part of a new National Home Center Industry Advertising and Marketing Awards program which is being unveiled at the National Hardware Show.

The program is the first of its kind in the home center industry that will involve the nation's 997 daily newspapers and nearly 600 television stations in recognizing outstanding advertising achievements among home center retailers, suppliers and their agencies.

One of the purposes of the program is to help home center retailers and suppliers gain recognition, not just within the industry, but to the larger advertising and marketing community, for their advertising and promotion efforts. The other reason behind the program is to encourage more effective use of the media.

While *National Home Center News* is underwriting the awards program, "We want to stress that the program has been designed so that it is the newspaper and television advertising industries that will be recognizing these achievements, not simply *National Home Center News*," said the newspaper's editor, Wyatt Kash.

Plans for making similar arrangements with other national media organizations are in progress, Kash added, explaining, "We wanted to move forward with newspaper and television right away, particularly since promotion activity in those media have become so intense in the home center industry over the past two years."

The new awards program will permit retailers and suppliers to submit their best television commercials and newspaper ads that have run during 1984 for consideration by two judging panels, one for each medium. The judging panels will include representatives from some of the leading advertising agencies and retail operations in the nation. In addition, local

(Continued on page 174)

Hardware show dates & hours

The 1984 National Hardware Show will open Sunday, Aug. 12, at McCormick Place West, Chicago, at 10 a.m. The show will continue Monday through Wednesday at McCormick Place West (8 a.m. to 5 p.m.) and McCormick Place (9 a.m. to 5 p.m.). The show will conclude Thursday at McCormick Place (9 a.m. to 3 p.m.).

SHEPHERD 'FILL-RATE' UPDATE

Percent of SKU's ordered and shipped within 72-hours or faster. Two weeks ending July 30, 1984:

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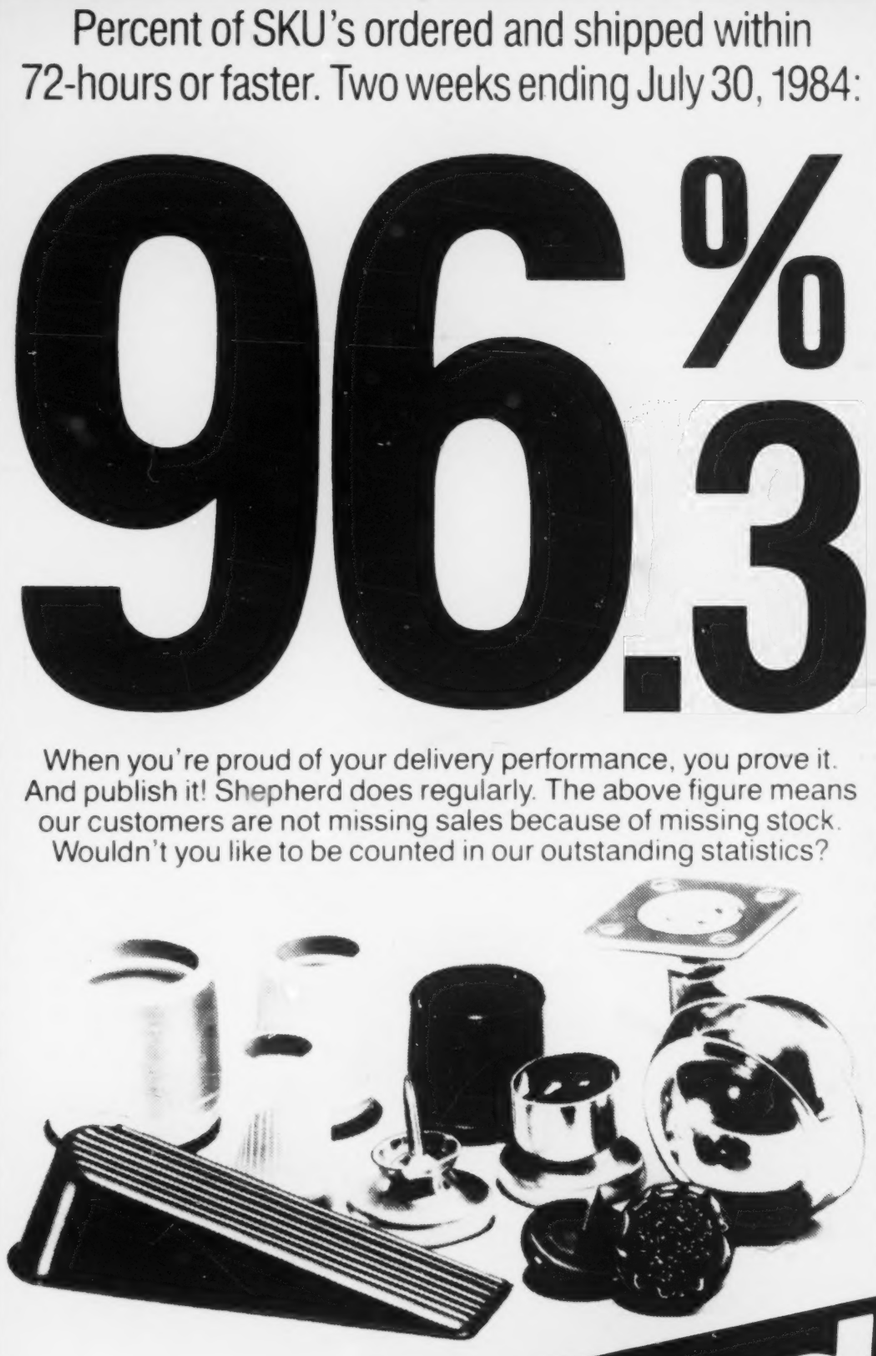

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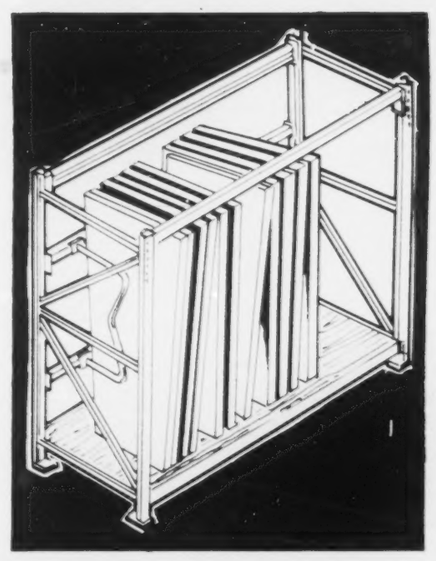

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	6/30-1 mo.	$ 24,700	$ 18,800	31	—	—	—
Lowe's Cos.	6/30-1 mo.	149,900	127,400	18	—	—	—
Scotty's	6/30-4th qtr. 6/30-1 yr.	114,021 424,537	107,023 358,982	7 18	— —	— —	— —

*$ in thousands

Source: Company reports

STOCK PRICES

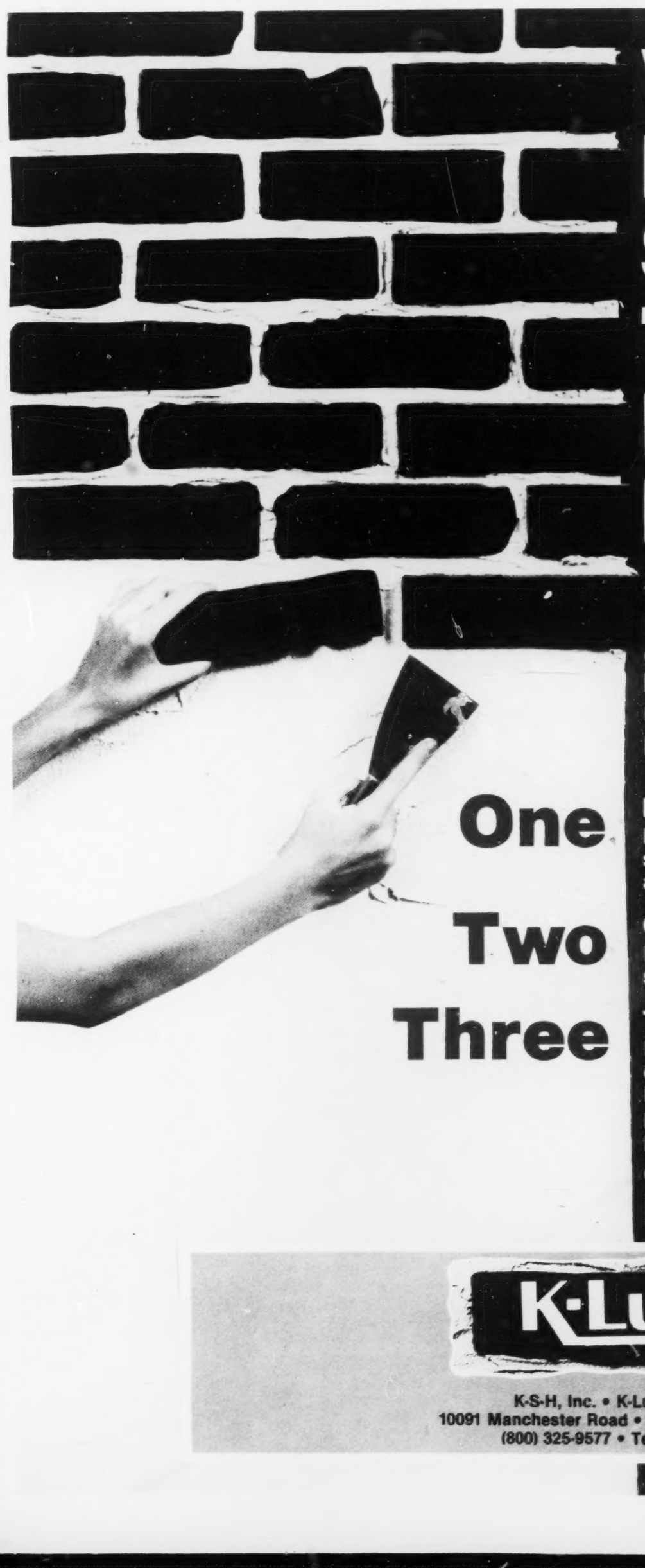
		As of 7/23	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		34½	45	32⅝	11
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34¾	46¼	33¾	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5⅜	19⅛	4¾	—
Forest City (AMEX)	A	15⅜	20⅛	13⅛	30
	B	15⅜	20½	13	30
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅞	50⅜	36½	11
Home Depot (NYSE)		21¼	31¾	14	43
Lowe's (NYSE)		17¾	30⅜	17½	12
Michigan General (AMEX) [Diamond Lumber]		5⅜	14	4⅝	28
Pay 'N Pak (NYSE)		13¾	21½	12¾	12
Payless Cashways (NYSE) [Furrow]		14½	33½	14½	12
Scotty's (NYSE)		11¾	18⅜	11½	9
Southwest Forest Industries (NYSE) [Knox Lumber]		15	22½	12¼	—
Standard Brands Paint (NYSE)		16½	26⅝	16½	9

Nasdaq—over-the-counter stocks

		As of 7/23	52-week High	52-week Low	P/E Ratio
Color Tile		15	18¼	13⅝	—
Hechinger	A	17¾	24¼	13½	—
	B	17¾	24½	14	—
Homecrafters Warehouse		11¾	17½	11¾	—
Pay 'n Save		15½	29¼	14⅜	—

Over-the-counter stocks

	As of 7/23 Bid	As of 7/23 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	—	25¼	16½
Hines Lumber	34½	36½	41½	25½
Home Centers of America	9⅞	10⅛	15½	6⅜
Scotts Seaboard [Scott's]	1¾	2⅛	5	2
Wolohan Lumber	4	4¼	9¼	4⅛



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FINANCIAL NEWS

Grace home centers' 2nd quarter performance 'particularly good'

NEW YORK — The retailing divisions of W. R. Grace reported $10.4 million in operating income after taxes for the second quarter of 1984, an increase of 17% over the same quarter of 1983. The company reported a "particularly good" performance by its home center operations.

For the entire corporation, second quarter sales increased 8%, to $1,741,433,000, over the same quarter of the previous year.

Net income for the second quarter ended June 30 was $57,449,000, representing a 42% increase over the $40,504,000 earned in the second quarter of 1983.

For the first half of 1984, Grace's sales were $3,238,731,000, a 9% gain over the $2,959,757,000 of the same period of the previous year. Net income for the first half of this year was $103,396,000, a 40% increase over the $73,615,000 for the first half of 1983.

Scotty's closes fiscal '84 with 18% sales gain

WINTER HAVEN, Fla. — Scotty's closed its 1984 fiscal year on June 30 with annual sales of $424,537,118, representing an increase of 18% over sales for the previous fiscal year.

Net income figures have not yet been released.

Sales for the previous fiscal year, ended June 30, 1983, were $358,981,646, a 17% increase over fiscal 1982.

Sales for the fourth quarter of fiscal 1984, ended June 30, totaled $114,021,091, an increase of 7% over the $107,023,073 in sales for the same quarter of the last fiscal year.

The company, which has 107 home centers and three hardware stores, attributed the smaller increase in sales in its final quarter to the fact that new construction has continued strong through the year and had satisfied a "pent-up demand for new housing" by the public, according to cfo Harold W. Taylor.

Additionally, Taylor noted that remodeling efforts were weakest in Florida in the spring months when winter residents were preparing to return north.

Sales increases had totaled 25% for the first six months of the 1984 fiscal year, over the same period of 1983. And for the third quarter of fiscal 1984, they were 20% higher than the same quarter a year earlier.

In another move, the company assigned Earle Brown, president of Earle Brown and Associates, Clearwater, Fla., to the position of industrial relations coordinator last month.

The company expected to begin construction of a new data processing building last month. Construction is now under way for a $5 million manufacturing facility to produce roof and floor trusses, prehung doors and bathroom vanities.

Lowe's turns in record sales period for June

NORTH WILKESBORO, N.C. — Lowe's Cos. Inc., recorded its largest June sales period in company history, with revenues totaling $149.9 million, an 18% increase over June 1983 sales of $127.4 million.

The company said sales to retail customers totaled $78.3 million for the month, slightly greater than its sales to builders and other professionals, which totaled $71.6 million for the period.

LUMBER REPORT

'Profitless prosperity' ahead as producers face major shake-up

By Hawk Furman
Special to NHCN

It will never be the same again. The lumber producers in North America are under siege and the industry faces an unprecedented shake-up. Overproduction, a terrible export market and poor marketing have led lumber prices down to the depression levels of 1982. Mills have not had a chance to recover from the last recession which started in November 1979, and lasted through October 1982. A look at the current demand and supply situation helps give perspective to what is happening.

'Domestic demand for lumber and panelboard products is outstanding. New housing, remodeling and renovation of older homes and commercial construction are all booming.'

—Hawk Furman

Demand

Domestic demand for lumber and panelboard products is outstanding. New housing, remodeling and renovation of older homes and commercial construction are all booming.

Housing was built at a 1.95 million units annualized rate during the first quarter of 1984. Nonresidential construction contracts hit all-time record levels in May. This type of business has long lead times so it should remain fairly strong for some time.

Higher mortgage rates are sure to slow housing construction but adjustable rate mortgages still allow seven million more families to qualify for a mortgage than could under conventional financing. Mortgage revenue bonds have been approved again by Congress and this will free up low rate funds at the local and state levels to boost housing for lower and middle income families. New housing permits remain strong and it appears new home building will stay strong through 1984.

Supply

There is plenty of lumber coming down the pipeline and because of overproduction, mills and wholesalers are facing "profitless prosperity." The reloads are loaded with s-p-f and Douglas Fir on the East Coast,

(Continued on page 18)

FUTURES

Two weeks ended July 19, 1984

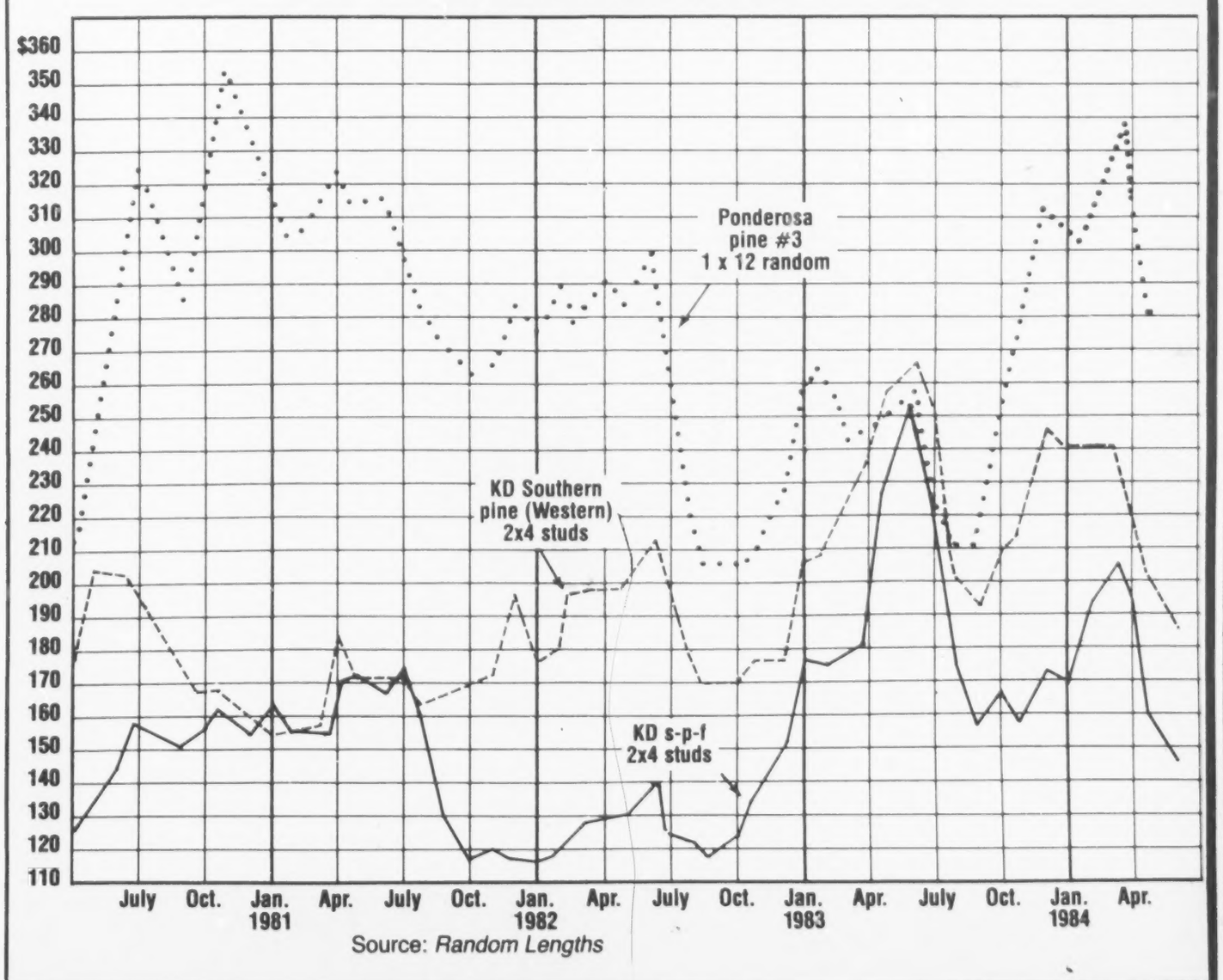
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept. '84	129.30	119.20	119.60	128.60	3,031	236.00	119.60
Nov.	136.90	125.70	126.40	135.70	2,370	229.00	125.70
Jan. '85	149.50	137.10	137.70	149.00	1,095	221.30	137.10
March	156.70	144.90	145.40	157.00	367	220.40	144.90
May	164.00	152.40	152.40	163.70	185	225.00	152.40
July	171.00	158.00	158.00	170.80	164	230.50	158.00
Sept.	175.50	162.50	162.50	—	70	197.50	162.50

Total Contract Vol. (Through 7/19): 24,340 — Previous Two Weeks: 18,688
Total Open Interest (As of 7/19): 7,296 — Previous Week: 7,169
Cash Price: $126.42 — Previous Week: $125.44 — Year Ago: $195.02

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, July 18
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

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BLANDEX

LUMBER REPORT

Industry seen 'too sick' to keep up output pace

(Continued from page 17)

Midwest and in Texas.

Lumber producers in North America are currently producing themselves into oblivion. Lumber production is up 15% in the United States over 1983 and up 18% in Canada. Many observers believe production figures for North America are inaccurate and that production is quite a bit higher than reported. Data Resources predicts lumber production will exceed consumption in the June through August period by 16%.

The top seven coastal producers in British Columbia, that account for 78% of the coastal production, had collective losses of $50 million in the first quarter. The second quarter result will be worse. In the United States Pacific Northwest, many mills are being closed down permanently. The latest closures include Seaboard Seattle, Boyd Lumber Company (Chapter 11) and Mayer Brothers (Chapter 11).

Lumber production will not continue at current levels. The industry is too sick to keep up the pace. In the United States, more mills will go bankrupt or just close down. Canada will see some independent manufacturers close down while the larger integrated companies will permanently close old and inefficient mills. In the past few months, two large plywood plants have been permanently closed in Canada. A permanent loss of 15% production is needed to give stability to the lumber market.

Key changes coming

There is a good possibility that trade restrictions will be implemented by the United States to limit the importing of Canadian wood. The Southern Forest Products Assn. and the Southeastern Lumber Manufacturers Assn. are hard at work lobbying for this action. The recent decision on quotas on imported steel for five years may lead the way for United States lumber manufacturers to get their import restrictions.

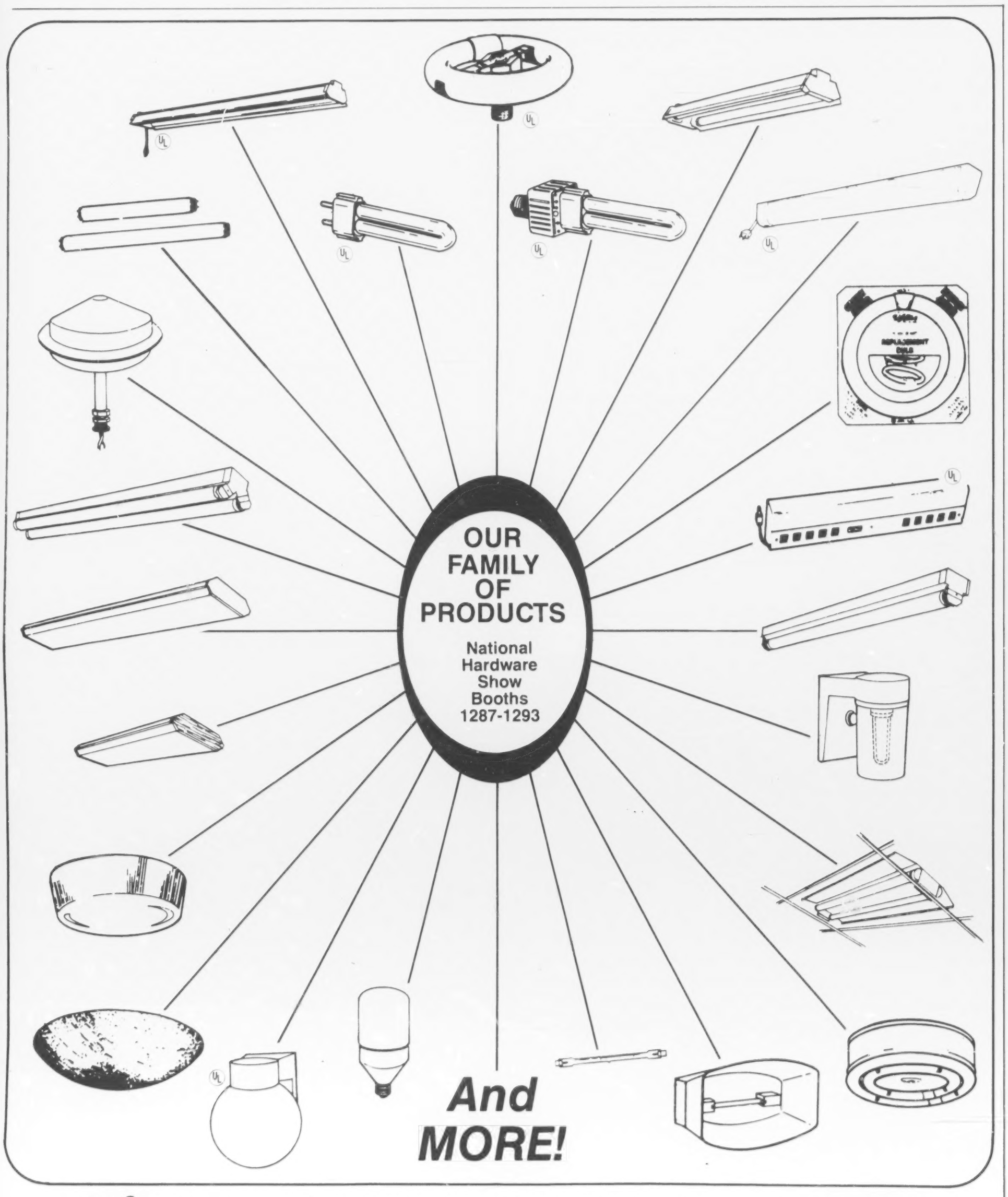
Home centers can expect continued low prices on lumber as overproduction, a depressed export market and poor marketing have led to an unprecedented shake-up in the industry. NHCN photo

The reload situation will change. There will be fewer players controlling the wood. Many undercapitalized wholesalers were caught on the sliding market and thought the answer to the problem was averaging down by buying more wood. They have seen thin margins or losses since March. The $10 poker players will be forced out of the $100 game and the wood will end up in fewer, but stronger, hands. This, in the long term, will lead to better marketing of wood and more stable pricing. A good example of this is that while Western s-p-f dropped 40% in value, cargo hemlock, which is in a few but stronger hands, dropped only 12% in value.

There will be some surprises for the Bear Stearns and other future players who are in the marketplace for opportunistic reasons only. They may well be forced out of the market by mills and wholesalers who won't play their game because of the disruptions they have caused.

A shake-up is under way in the lumber industry that will lead to less production, more stable prices and more effective marketing.

Hawk Furman is president, Furman Lumber, Boston.



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Gov. O.K.'s addition for McCormick

CHICAGO — Illinois Gov. James R. Thompson has signed legislation permitting construction of an additional 532,000 sq. ft. of prime exhibit space at the McCormick Place Exhibition complex. With groundbreaking expected this month, the facility should be available for the 1986 Hardware Industry Week/National Hardware Show. *(For this year's show schedule, see page 157.)*

Current exhibition space includes 663,000 sq. ft. on the mall and lobby levels of McCormick Place, as well as space in McCormick Place West.

As a part of trade show efforts to urge approval of the expansion, William P. Farrell, executive director of the American Hardware Manufacturers Assn. met with Governor Thompson in the spring of 1983. Farrell also was a member of an advisory committee on the development of the expansion plan.

"We felt that the passage of this legislation was critical for the future viability of the Hardware Industry Week/National Hardware Show," Farrell stated. "The show was in danger of becoming a victim of its own success."

The show currently uses all available space and has a waiting list of hundreds of potential exhibitors who can't fit into the present facility.

The new building will be equidistant from McCormick Place and McCormick Place West, and directly north of McCormick Inn, on property currently used for overflow parking for Soldier Field.

MERCHANDISING

Retailers opt for altered European cabinet look

NATIONAL REPORT — While more vendors than ever before are introducing kitchen cabinets with a true European design, home centers are more ambivalent than specialty stores about how the sleek styles of such cabinets will blend with their kitchen departments.

At home centers such as Busy Beaver, Somerville Lumber, Gee Lumber, Mr. Goodbuys, and Birmingham Lumber, a "semi-European" look in some of the kitchen cabinet offerings reflects a compromise between the recognition of a modern trend toward sleek interiors, and the reality that installing cabinets with a true European design can often be difficult for do-it-yourselfers.

Cabinets with a "semi-European" look possess laminated doors and hidden hinges. However, unlike cabinets with true European design, they have recessed borders around their doors, and wider soffits above the doors, so that installation by DIYers is far easier.

Without such modifications, installers have to make sure that the cabinets are mounted on walls square, or doors will either hit the ceiling, or bang into each other when closing.

Even so, some home center operations such as Spenard's and Kirley's Lumber World, are reporting a measure of success with cabinets that possess the true European look. As a result, buyers from other chains are keeping an open mind and reviewed the offerings of European style cabinet vendors at the last kitchen and bath show (*NHCN*, April 9).

Many buyers feel the American consumer is becoming more attuned to the sleek European styling than ever before. At the same time, other home center operators feel that cabinets in the true European style will remain only a small part of their total sales figures.

Reporting on the positive side of the issue are home center operators, such as the Spenard's outlet on Fireweed Lane in Anchorage, Alaska, where DIYers now account for an estimated 15% to 20% of sales of European style cabinets, compared with only 5% last year. Of the store's $6 million in annual sales, about $300,000 to $500,000 represents cabinets in a true European style. The store does a total of $4 million annually in kitchen cabinet sales.

While the DIY share of European style cabinets has increased substantially, kitchen center manager Ken Gustin noted that many DIYers still shy away from the three styles his store offers because "the average DIYer doesn't have the expertise," in his words. "The cabinets have very close tolerances. For example, the space between the top of the door and the ceiling is only ⅛ of an inch."

An even greater success with European style cabinets was reported by Kirley's Lumber World, Boston, Mass., where the sleek cabinets account for an estimated 25% of total kitchen cabinet sales.

The store does not have an accurate assessment of what percentage of European style cabinets is purchased by DIYers. However, kitchen department manager Joan Gaffney noted that "we have had do-it-yourselfers take these cabinets and install them without problems."

Kitchen Cabinet Production

New Construction

	1979	1984
Wood, and wood veneer	57%	71%
Laminates	31%	26%
Metal, plastic, other	12%	3%

Repair, Remodeling

Wood, and wood veneer	80%	82%
Laminates	16%	12%
Metal, plastic, other	4%	6%

Source: National Kitchen Cabinet Association — NHCN chart

Production of laminated kitchen cabinets, usually associated with the "European style," has fallen in the past five years, possibly signaling a decline in demand for this particular style.

Kitchen cabinets in the European style do not cost significantly more than traditional designs at either Spenard's or Kirley's. At the former, a European style cabinet with 36-in. base sells for $349, while similar traditional cabinets sell from $285 to $345. And at Kirley's, the same size cabinet ranges from $160 to $200, with the European design coming in at the upper end.

Other home center chains are less sanguine about the potential of true European style cabinets. While Gee Lumber and Hardware, Chicago, has handled a line of European cabinets for a couple of years, the proportion of total kitchen sales it makes up is very small.

"The European look is usually installed in high rises, and in new construction," noted buyer Vern Johnson, who added that DIYers make up some 75% of sales in the department.

Birmingham Lumber, Birmingham, Mich., reported that cabinets with the true European look comprises a small percentage of sales in the kitchen department, and that installing such cabinets can pose problems for DIYers. And at Thurmon Industries, which operates 10 home centers in the state of Washington, only one European style kitchen has been displayed in the four-to-seven displays at each of the stores.

At the Mr. Goodbuys unit in the Baltimore suburb of Brooklyn Park, Md., the very fashion-oriented nature of the European style kitchen works against it.

"People are very conscious about what their neighbors think when it comes to kitchens," said kitchen sales manager Jeff Saul. "A lot of people are afraid the European look will go out of style, and that if they buy such a kitchen now they might get stuck with it." Of the 26 vignettes displayed at the store, only three are in a European style.

If home centers remain divided about the potential of the European cabinet, specialty kitchen stores have generally experienced an increase in the sales of these styles, primarily because the stores can provide installation of the product, relieving the consumer of the complications of doing it himself.

Kitchen Centers of America, Arlington, Tex., introduced European style kitchens in its 12 Chicago-area specialty stores late in 1982 and saw them take a 15% share of sales by the end of last year. By the end of this year, vp and general manager Richard Anish expects this style's share to increase to 25%.

However, Anish added that the percentage may not increase as rapidly next year as it has this year, since 80% of the European cabinets now moving through his chain's 14 stores are stock models rather than custom builds, and "stock lines are limited in their choices of styles." The dominance of stock varieties in his chain's sales mix indicates that there is some price resistance to the more expensive custom installations.

European designs account

(Continued on page 160)

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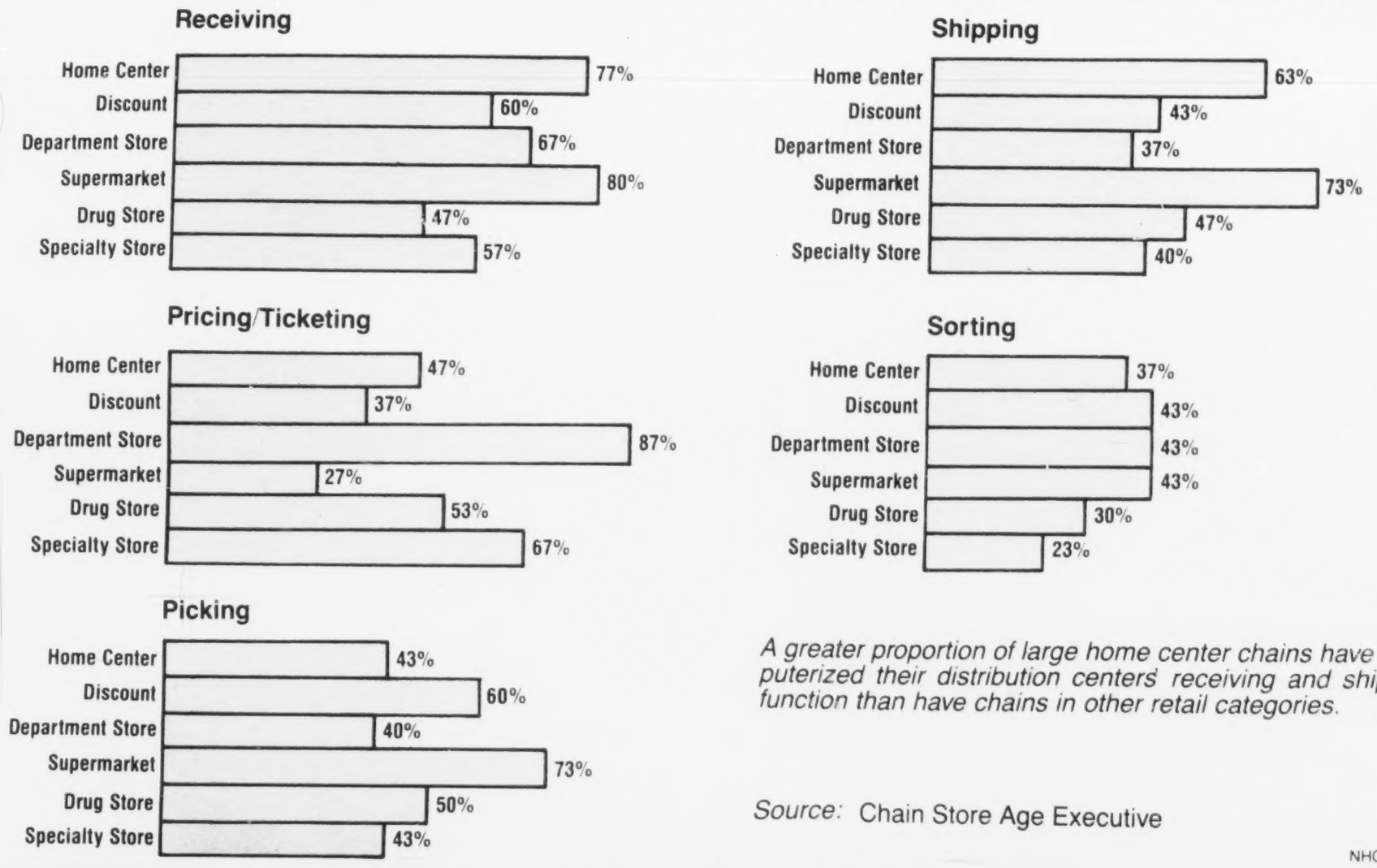
SYSTEMS & OPERATIONS

Proportion of Large Retail Chains That Have Computerized Their DC Activities



A greater proportion of large home center chains have computerized their distribution centers' receiving and shipping function than have chains in other retail categories.

Source: Chain Store Age Executive

NHCN chart

Home centers lead other types of chains in computerized receive-shipping

NATIONAL REPORT — Home center chains seem to have outdistanced most other categories of retail chains in terms of computerizing their receiving and shipping departments, according to a recent survey.

On the other hand, home centers seem to be lagging behind or holding even when it comes to computerizing their pricing-/ticketing, picking and sorting functions.

Responses from 30 of the top 100 chains in each of six retail categories were elicited by a survey conducted by Lebhar-Friedman Research for *Chain Store Age Executive*.

Some 77% of large home center chains have computerized their receiving activity, a figure that compares with only 64% of the retail industry as a whole. Further, 63% of the home center chains have computerized their shipping departments, compared with only 50% of the retail industry in its entirety.

In both departments, only supermarket chains—80% of which have computerized their receiving areas and 73% of which have computerized their shipping departments—have stepped ahead of home center chains.

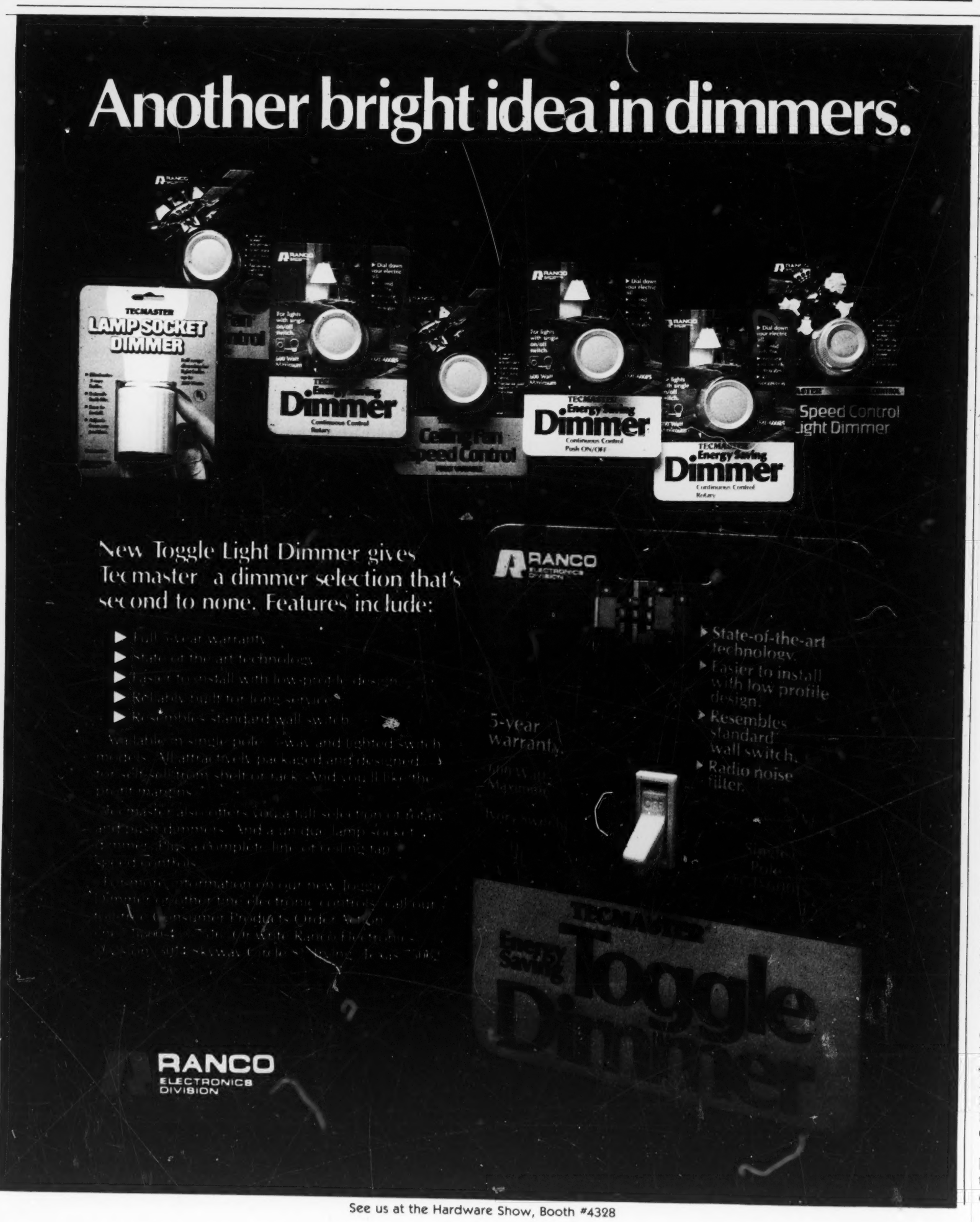
As for discount store chains, only 60% have computerized their receiving areas and 43% have computerized their shipping areas.

In terms of computerization of the pricing/ticketing function, only 47% of the major home center chains have done so, compared with 53% of retail chains as a whole. While 37% of discount stores have done so, fully 87% of department stores have reached this stage.

The process of picking has been computerized by 43% of large home center chains, a level slightly under retail chains as a whole.

Finally, the process of sorting has been computerized by 37% of home center chains, a figure not much different from that of other categories of retailers.

For most of the above activities, IBM has captured the market as vendor of choice for over half the retail chains as a whole. The only exception is the process of pricing and ticketing, where Monarch has taken some 10% away from IBM. For distribution center activities in general, NCR, Data General, Burroughs, Univac and Kimball were also mentioned.



Japan copiers rated as best

DELRAN, N.J. — Business firms participating in a recently completed survey rated Japanese copiers better than their American counterparts. Some 3,200 companies responded to a survey conducted by Datapro Research corporation, Delran, N.J.

Of the 16 low and midvolume copiers rated highest in the Datapro survey, all but one were Japanese. The exception was Xerox, classified as a "world" machine because its components are made in different countries.

Results of the survey have been complied in a report entitled, "User Ratings of Copiers."

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Dealers gear up for kitchen & bath week

national KITCHEN/BATH week

POTTSTOWN, Pa. — Organizers of National Kitchen/Bath Week, scheduled for Sept. 15-23, promised retailers would benefit more from the event this year than they did when it was first held two years ago.

By the middle of last month, some 1,200 retailers had signed up to participate in the week-long promotion. Of that number, 17% were building supply dealers and home centers, 70% were specialty kitchen and bath stores, 8% were remodelers and 5% were plumbing outlets.

Additionally, 44 manufacturers had signed up by mid-July.

Organizers said they were determined to avoid repeating a number of mistakes that caused the event to have a minimal impact on the industry in 1982, and resulted in its cancellation the following year.

Late last year, retailers were alerted by mailings to the membership of the National Kitchen and Bath Association (NKBA). These early mailings were meant to avoid the problem encountered in 1982, when many retailers found out about the event in August, too late to work it into their advertising budgets.

Mailings were also sent to the membership of the National Association of the Remodeling Industry, also sponsoring the event.

The promoters of the event, SK Advertising, Pottstown, Pa., pointed to the following additional steps taken to assure success:

* Advertisements placed in trade publications serving the industry, on a complimentary basis, began running earlier this year.

* "How-to books," describing how retailers could benefit from the event, were mailed to participants in June, serving as a reminder so they could schedule their September advertising to promote the event.

* Packets including ad slicks, window banners, counter cards, sales tags and a planning book were mailed to participants last month.

* Promotional material was placed with major consumer magazines serving the home market.

* Inserts were purchased to run in 4,200 newspapers around the nation during the event. Retailers can purchae ads in their local editions of the 12-page insert.

Behind the scenes, two major operational changes have been instituted.

"We restructured the way retailers could sign up for the event," said Linda Banis, public relations coordinator.

"The council of manufacturers decided that retailers signing up through their manufacturers was a bad idea, because information never filtered down to the retailers."

This year, retailers responded to the complimentary ads in the trade press, and to direct mailings, by signing up directly with the National Kitchen and Bath Assn.

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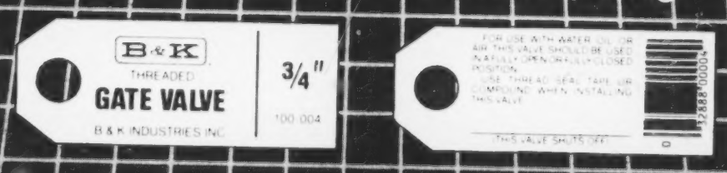

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Retailers opt for altered version of European look

(Continued from page 56)

for some 65% of sales at St. Charles of Atlanta, a specialty store in Atlanta, Ga. "Three years ago, traditional styles accounted for 65% of sales," said manager Timothy Reed.

"Finally, manufacturers have learned that the market wants a variety of colors and sleek design," added Reed.

Indeed, the NKCA reports that manufacturers have responded to a perceived need on the part of the buying public. "More companies are offering laminate lines than ever before," said an NKCA spokesman.

Figures from the NKCA indicate, however, that the market for European style kitchen cabinets may be broader than it is deep. In 1979, laminated kitchen cabinets, usually associated with the European look, accounted for 16% of the DIY market and 31% of the new construction market. By 1984, however, the figures had dropped to 12% and 26%, respectively.

While the NKCA does not venture an explanation for the decline in laminated cabinet production, the figures seem to indicate that interest in European style cabinets is actually declining, relative to the greater interest in traditional wood designs. The increase in unit sales for European design cabinets at some home centers may be due only to a general increase in kitchen cabinet sales in general.

Once the overall increase in kitchen sales begins to taper off—and for the time being no one is venturing a guess as to when that will occur—sales of European style cabinets may decline in favor of more traditional wooden varieties.

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National
Home Center News ®

Vol. 10, No. 18 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Aug. 27, 1984

Roger "Tiger" Holmes (left), chairman of Holmes Lumber, with Olympic swimmer Patrick Kennedy and his father, David, who works at the store. Holmes sponsors a powerful swimming club whose members, including Gold Medal winner Tracy Caulkins (right), competed at the Olympic Trials and Games and drew millions of dollars in free TV publicity for the Jacksonville, Fla., lumber company.

Photos courtesy of Florida *Times-Union* and Holmes Lumber

Fla. independent garners Gold Medal recognition

LOS ANGELES — Coca-Cola, Stanley Works, McDonald's and other "official" sponsors shelled out millions of dollars to link their brand names with Olympic competition.

But a small lumber company in Florida, whose president is a swimming enthusiast and booster of collegiate competition, may have gotten nearly as much exposure as these giants without even looking for it and at a fraction of the expense.

At the Olympic Trials held in Indianapolis a month before the Games' commencement, swimmers Mike Heath, Tracy Caulkins and other athletes who went on to win medals at the Olympics could be seen by millions of television viewers wearing T-shirts with the insignia "Holmes Lumber Gators."

Last April, $25 million Holmes Lumber Co., an independent based in Jacksonville, began sponsoring the Gators, a

(Continued on page 58)

Carter buys Z&L Lumber; bolsters Pittsburgh foothold

KENT, Ohio — Carter Lumber, a midwest chain with more than 130 stores, strengthened its position in the Pittsburgh market by purchasing Z&L Lumber on July 27.

Previous to acquiring Z&L's six stores, Carter operated only a single unit in the Pittsburgh Metropolitan Area, in a town called Meadow Lands, Pa.

Woodcraft Industries, a truss manufacturing plant in Atlasburg, Pa., was included in the purchase because it was a Z&L property.

Neither Carter Lumber nor Z&L, which sold some $30 million worth of merchandise last year, would disclose the purchase price or details of the agreement. Carter Lumber's volume is estimated at over $150 million annually.

Z&L headquarters will be shut down by the end of this month. Its 15 employees will not remain with the company.

The Z&L name is expected to be removed from the six stores by October. Banners with the Carter name were attached to Z&L store signs late last month, while the phrase "formerly Z&L Lumber" began appearing in newspaper ads promoting the newly acquired outlets.

"We saw this purchase as an opportunity to expand in the Pittsburgh area," said Van Carter, chairman of Carter Lumber, who founded the chain in 1936. He added that the chain had "no larger plan" to continue expanding into western Pennsylvania.

"Over the next six months we will study the stores to see if any merchandising changes will

(Continued on page 58)

West family strengthens its hold as company centralizes controls

By Phillip M. Perry
NHCN associate editor

ATLANTA — When Ed Plemons left the presidency of West Building Materials last month, his departure was seen by corporate observers as a far more serious matter than what might be viewed as a simple management shift.

It was clear to those knowledgeable about the $245 million chain, run by the legendary iron fisted Charles West, that the departure of Plemons was precipitated by internal disputes in the company's Atlanta headquarters that have arisen as new family members enter the management ranks and transform the company into a modern home center chain.

Both Vincent West, 31, and Mark West, 23, sons of company owner and chairman Charles West Sr., have begun making their own imprints on the company's operations and merchandising posture.

The company's new direction, propelled forward largely by Vincent, has veered away from the blustery entrepreneurial instincts of Charles West, now 63 years old, who fostered a similar spirit among his store managers. Today, the company has begun to move toward the more centralized control demanded by a more competitive marketplace.

Getting the chain of 67 stores onto its new course has brought difficulties. Since Vincent entered the business several years ago, and Mark came aboard a little over a year ago, many store managers have been distressed by a changing environment in which their autonomy has gradually eroded in favor of required procedures for advertising and merchandising.

Matters became especially difficult over the past year for the company's senior product line managers, who found themselves answering to a total of three Wests, each of whom had their own ideas concerning the selection and stock of products.

Additionally, the managers' decisions were subject to the ju-

(Continued on page 58)

Lawn & garden industry spurns consolidation attempts

By John Caulfield
NHCN senior editor

News Analysis

NATIONAL REPORT — In the lawn and garden business, the whole never seems to equal the sum of its parts.

The industry is a "phantom" in the words of one manufacturing source, that is, neither clearly defined nor easy to grasp. It is probably the most fragmented of any industry segment engaged in retailing, and this fragmentation not only prevents the dissemination of reliable market data, but also serves as an obstacle to any attempts at unification.

Trade associations, manufacturers, wholesalers and retailers all pay lip service to the concept of industry unity, and all claim everyone would be better off from the development of market studies and statistics

However, the only thing these groups seem to agree on is that the industry, because of its fragmented structure, will probably never be soldered together. Trade shows, like the Lawn, Garden and Outdoor Power Equipment Exposition held in Louisville last month, are seen as positive first steps toward that end, but are also viewed by some as placebos that tend to fragment the industry further into more specialized and noncommunicative groups.

Consequently, this situation leaves home center dealers—many of whom are selling lawn and garden products, particularly nursery goods, in a big way for the first time—with little upon which to base merchandising or marketing decisions. Their alternatives, both considered unsatisfactory, are to make buying choices "by the seats of our pants," said one dealer, or rely more heavily on suppliers' advice.

"I know my job would be made easier if there were some independent, reliable market data to base lawn and garden purchases on," said Neil McLean, a buyer for the 19-unit Home Depot based in Atlanta.

(Continued on page 58)

NEWSBREAKS

HINES TO RETROFIT. Edward Hines Lumber, Chicago, plans to remodel nearly 20 of its 25 stores, incorporating selective warehouse racking, a consumer-oriented store layout and new graphics, by the end of 1984.

HCA SETS SITES. Home Centers of America, now owned by K mart, will open Builders Square stores in Tulsa and Louisville, in addition to Chicago, by Nov. 1, according to exec vp Frank Powers.

INSIDE:

TRAFFIC AT THE National Hardware Show was brisk as dealers projected continued strong sales through year-end . . **Page 2**
BUILDERS EMPORIUM's failure to meet Wickes' profit goals leads to the ouster of two top execs 3
BEAVER LUMBER names a new president 1

Supply One opens; has 30,000 sku's in 30,000 sq. ft.

A new warehouse home center chain called Supply One was launched earlier this month in Reno, Nev., by industry veteran Jay Steiner and his family. The units pack 30,000 stock keeping units into 30,000 sq. ft. by using innovative approaches as shown above. The operation could eventually be expanded through franchising. See story, page 3.

NHCN photo

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NHCNews Briefs

Industry Update

Somerville unveils largest unit

SOMERVILLE, Mass. — Somerville Lumber is scheduled to hold a grand opening for its largest store to date on Sept. 9. A "quiet opening" was held here on Aug. 1 for the store, which has 56,000 sq. ft. of showroom space, and 100,000 sq. ft. of warehouse space that is not open for customer browsing.

Without advertising, the store did over $150,000 worth of business during its first eight days. The store has been involved this month in training its 130 employees, 25 of whom were brought over from the chain's other two units to train the 105 who are new to the Somerville operation.

The store has a 15-ft.-wide center aisle, representing a departure from the 9-ft.-wide aisles of the older stores. It also sports a "warehouse look" in the form of bare steel girders and an exposed ceiling.

Steve Conley, a seven-year veteran of Somerville, was named store manager, from his previous position as manager of contractor sales at the company's unit in Somerville, Mass.

Moore's to open 4th whse

CHARLESTON, S.C. — Moore's, a chain of 88 stores operating in nine mideastern states, plans to hold the grand opening for its fourth warehouse store here this September. Another Moore's warehouse store in Virginia Beach, Va., should open later this year.

The Roanoke, Va.-chain, owned by Evans Products, held grand openings in Charlotte, N.C., this spring after opening its first warehouse store in February. (*NHCN*, March 26.)

The conversions are part of some 19 home centers that have been identified by Evans Products as candidates for conversion to warehouse stores by the end of this year. Most of these stores are in metropolitan areas of 500,000 or more.

While the typical Moore's unit does some $3 million annually, conversion to warehouse stores has already brought substantially greater sales. The warehouse stores are expected to eventually do some $10 million each in annual volume.

Conversion of a Moore's unit to a warehouse store has involved an average of $2.5 million in expenses. Of that amount, about $150,000 is spent on physical plant, including the removal of walls dividing warehouses, about $150,000 on fixturing, including the installation of H-frame racks, and the remainder in additional inventory.

Moore's warehouse stores have under 10,000 stock keeping units, a level which some observers feel makes achieving profitability tougher. These sku's represent only the faster moving items, which typically have lower gross margins because they are highly shopped.

Einfeld resigns at Home Depot

PHOENIX — Nick Einfeld resigned as the regional manager here for The Home Depot on Aug. 6, about eight months after joining the Atlanta-based chain.

During his stint at The Home Depot, Einfeld assisted in developing the Phoenix market, which the chain cracked into with two stores last Thanksgiving, and where it currently operates four units, including a 100,000-sq.-ft. unit, its largest.

"The job just didn't turn out to be for me," said Einfeld, who had previously worked for the Handy Dan chain from 1969 to 1982 and was president of W. R. Grace's Central region. He also briefly served as an industry consultant to a few West Coast chains.

He had not decided what his future plans would be.

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, Vol. 10, No. 18 Aug. 27, 1984

Hardware show attendance brisk; retailers swarm Chicago setting

CHICAGO — Opening day traffic at the 39th annual National Hardware Show here was brisk, with on-site registration up 20% over 1983 figures, as contingents from home center, as well as, discount, supermarket and specialty chains, swarmed through McCormick Place West setting the pace for the busy five-day show.

This year's show was marked by a new thrust to push products aimed at the automotive aftermarket with 175 automotive exhibitors displaying their products, compared to 50 at last year's show. Show organizers also attempted to give new attention to 750 lawn and garden vendors and outdoor power equipment suppliers, providing approximately 20,000 sq. ft. of outdoor demonstration area to vendors.

The move was partly in response to the new International Lawn, Garden & Outdoor Power Equipment Exposition which debuted in Louisville in July (*NHCN*, Aug. 13). At least 15 major vendors in the category dropped out of the National Hardware Show this year.

Their withdrawal seemed to have little impact, however, on the mood of the show. Activity on the exhibition floor, which this year covered 689,000 sq. ft. among 2,900 exhibitors, seemed to reflect the brisk sales pace retailers have been experiencing for the first six months of the year. Expectations among chain executives on the floor were that the final half of 1984 would show sustained sales growth.

However, this has also been a frantic six months for many dealers as several key industry executives have switched jobs, moving to competitors. The sudden departure of Tom Leete from Home Depot for an opportunity at Homecrafters, at a time when Home Depot "is looking for four merchandisers and 200 operations people," according to executive vice president Pat Farrah, perhaps typifies the impact the surge in warehouse chains is having on the industry.

The warehouse competition is just one component of a changing industry that will demand more marketing expertise from dealers, manufacturers and wholesalers, said Richard Lambert, during his keynote address at the show on Monday. Lambert, the managing director of the National Retail Hardware Assn., with 36 years' experience in the hardware business, said the industry is changing from "a miles per hour to a mile per gallon business," with companies entering an era of "power marketing."

Because it was unlikely that the DIY industry would continue to grow at the annual compound rate of 13.4% it enjoyed from 1970 to 1984, it will be "critical," he said, for businesses to concentrate on "market share, and that usually means taking sales away from somebody."

Lambert urged dealers and suppliers to ~~place~~ greater emphasis on computerization, flexible marketing programs, new product development, consumer education in-store improvements and product line analysis for stronger margins and turnover.

He called retailers however, the "key" to industry growth over the next five years.

During the show, automotive vendors were seen in larger numbers than ever before, playing greater emphasis on the DIY market. "The challenge is to convince home centers that these products belong in their stores," said Mike Bommarito, specialized marketing administrator for AC Delco, a division of General Motors exhibiting at the show for the second time.

That some home centers are taking a more serious look at automotive products is evident from the 200% increase Quaker State has seen in its motor oil sales through home centers, according to Bill Anderson, the company's retail accounts manager. And Cecil Newman, president of Nu-Way Mfg., in Topelo, Miss., said his firm's truck trunk sales with chains like Hechinger, 84 Lumber, Payless Cashways and Central Hardware have been increasing over the past two years.

"We expect home centers to be even stronger outlets for our products and all automotives in the future," Newman said.

While grouping the automotives exhibitors together made shopping the show floor easier,

(Continued on page 57)

CPSC commish seeks voluntary safety standards

CHICAGO — Terrence Scanlon, a commissioner for the Consumer Products Safety Commission, told a gathering of manufacturing executives at this year's Hardware Show that his agency would be taking bigger steps next year toward encouraging the development of voluntary safety standards for home improvement products.

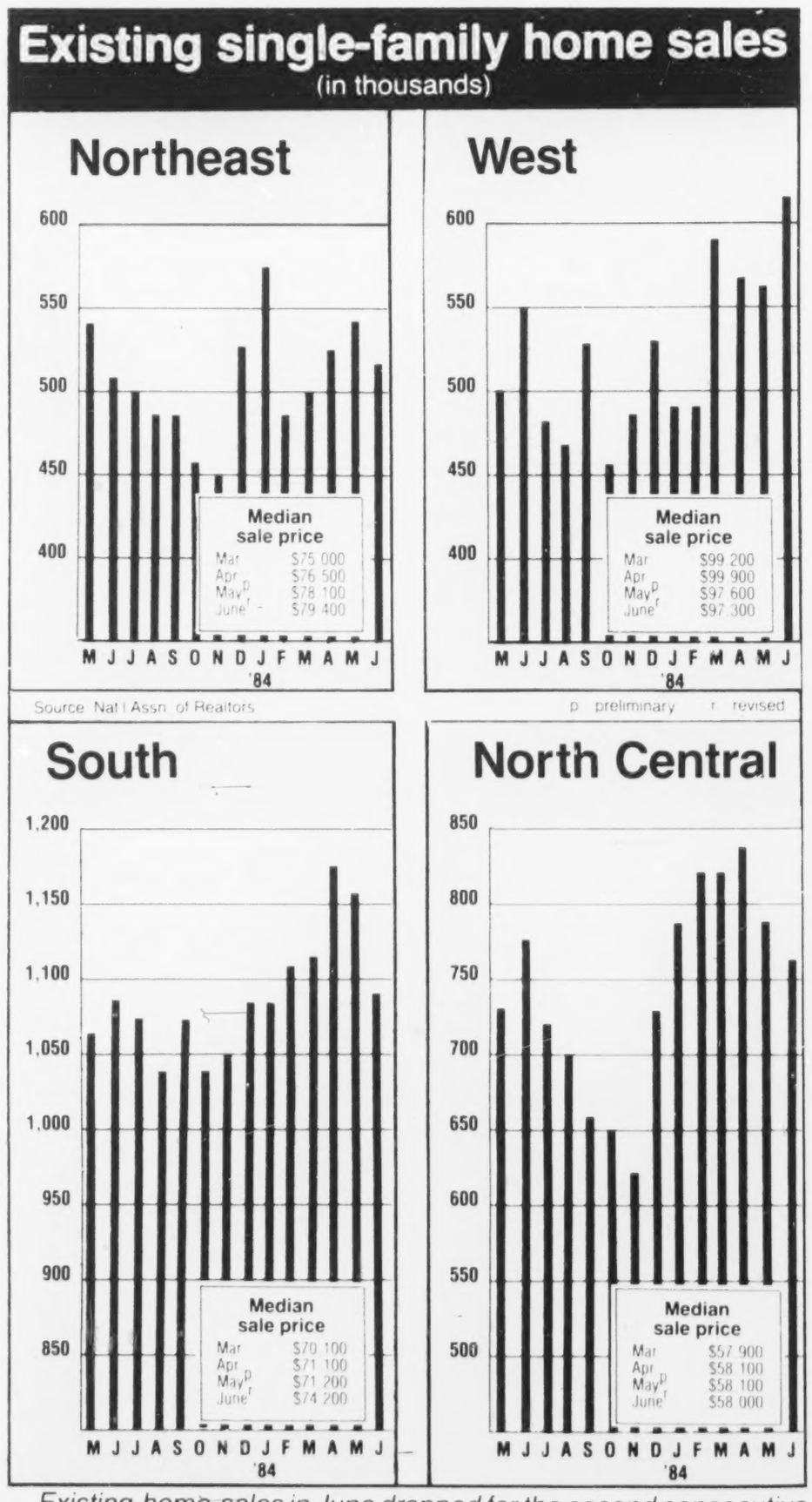
Specifically, he said that CPSC will establish the position of a permanent voluntary standards coordinator to strengthen the cooperative link that, he said, has grown between the commission and the business community.

The commission will also publish comments and debates on voluntary standards recognized by the CPSC, and will "reward" industries that address the safety issue substantively. He noted that the commission is seeking to improve voluntary compliance by industry to the standards and is offering assistance to companies getting voluntary standards to be recognized at the state and local regulatory level.

"Voluntary standards can never pre-empt state and local officials but we need to develop a system where one standard when agreed upon applies nationwide," he said. "In no way, though, does that mean that the Government is putting its nose under the voluntary standards tent."

Scanlon praised the efforts of the National Kerosene Heaters Assn., Nashville, Tenn., for the assistance it lent toward devising voluntary heater safety standards.

"Our working with the NKHA is an illustration of what can be done when there is cooperation between business and Government," he said.



Existing-home-sales in June dropped for the second consecutive month to 2.99 million units, seasonally adjusted, according to the National Association of Realtors.

Of the four regions, the largest decline was in the South which fell by 6% over May to 1.09 million units, seasonally adjusted.

The median sales price of an existing-single-family home rose by $1,100, reflecting the stronger summer demand for housing.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Michigan General	6/30-6 mon.	$220,400	$50,000	340.8	$2,810	$5,000	(43.8)
National Lumber	6/30-2nd qtr. 6/30-6 mon.	33,400 62,400	29,700 54,000	12.6 15.5	412 739	978 1,150	(137.3) (55.8)
Scotty's	7/28-4 weeks	30,635	29,589	4.0	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 8/7	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		37⅝	45	32½	12
Edison Bros. Stores (NYSE) [Handyman, Homer's]		35	45	33¾	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5⅜	16¾	4¾	—
Forest City (AMEX)	A	15¼	20⅛	13⅜	29
	B	15⅜	20½	13	30
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅜	50⅜	36½	11
Home Depot (NYSE)		26⅛	31¾	14	53
Lowe's (NYSE)		21½	27½	16¼	14
Michigan General (AMEX) [Diamond Lumber]		6⅜	14	4⅝	64
Pay 'N Pak (NYSE)		16¾	20⅛	12¾	15
Payless Cashways (NYSE) [Furrow]		17⅞	29⅛	13½	14
Scotty's (NYSE)		12⅞	17¼	11⅜	10
Southwest Forest Industries (NYSE) [Knox Lumber]		15¼	22½	12¼	—
Standard Brands Paint (NYSE)		18½	24¼	16½	10

Nasdaq—over-the-counter stocks

		As of 8/7	52-week High	52-week Low	P/E Ratio
Color Tile		15¾	18¼	13⅝	—
Hechinger	A	18¾	24¼	13½	—
	B	19½	24½	14	—
Homecrafters Warehouse		14¾	17½	11¼	—
Pay 'n Save		18	29¼	14⅜	—

Over-the-counter stocks

	As of 8/7 Bid	As of 8/7 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	—	25¼	17
Hines Lumber	35½	37	41½	25½
Home Centers of America	10¼	10⅜	15½	6⅜
Scotts Seaboard [Scott's]	1⅜	1¾	5	1⅜
Wolohan Lumber	4⅝	4⅞	8	4

FINANCIAL NEWS

National opens 14th store; earnings plunge in 2nd qtr.

SANTA ANA, Calif. — National Lumber opened its 14th store in Covina, a Los Angeles suburb, Aug. 2, and separately reported a 15.5% sales increase for the first six months of 1984.

In the first half, sales increased to $62.4 million from $54 million for the same period a year ago. However, earnings declined 55.8%, to $739,000, or 13¢ a share, compared with earnings of $1.15 million, or 26¢ a share, for the same period in 1983.

In the second quarter, sales increased 12.6% to $33.4 million compared with sales of $29.7 million for the year-earlier period. Earnings dropped 137.3%, to $412,000, or 7¢ a share, compared with $978,000, or 22¢ a share, for the second quarter of 1983.

Mel Jaffee, National's president, said in a statement that "Competitive pressures in the southern California home improvement industry have narrowed our margins, leading to our income reduction."

Jaffee continued, "We are in the process of adjusting our prices to reflect new market conditions, and this should lead to increased margins in the last half of 1984. We will also reduce overhead as we open new facilities and streamline operations."

During the first quarter, National opened a store in Culver City, Calif., and Jaffee said it is becoming "one of our largest volume producers."

He said the next store to open will be in Ontario, followed by San Bernardino, Calif.

Diamond sales up 39% in first half of 1984

DALLAS — Michigan General, which begins a remodeling and remerchandising program for its 97-unit Diamond Lumber chain this month, reported a 39% sales increase for the stores during the first six months of 1984.

Michigan General, which acquired the chain last fall from Diamond International, said Diamond Lumber's sales for the January-to-June period were $164 million, compared with its sales of $118.4 million for the same period in 1983.

Overall, Michigan General reported net income for the six months ended June 30 of $2.81 million, or 21¢ a share, on sales of $220.4 million, compared with income of $5 million, or 89¢ a share, on sales of $50 million, for the comparable year-earlier period.

The company's other divisions include Allied Department Stores and Krestmark, a manufacturing subsidiary.

Scotty's July sales up 4% to $30.6M

WINTERHAVEN, Fla. — Scotty's, which operates 110 stores, had sales of $30,634,544 for the four weeks ended July 28, an increase of 4% over sales of $29,589,495 during the same period last year.

At that time the company operated 103 stores and its sales were 28% over the corresponding span in 1982.

Compared with the strong sales surge a year ago, the 4% gain this July reflects flat comparable store volume and an increase in store count.

Builder sales were stronger than consumer, according to Ray Cooney, president and coo, who noted, "In both areas of our business, there are signs of cautious buying reflecting uncertainty about interest rates and the general economy."

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LUMBER REPORT

Lumber industry reacting slowly to recovery rumblings on Wall St.

NATIONAL REPORT — Could it be? The lumber story this summer has been about an industry down so long there was no place to go but up. Comments late last month by Federal Reserve Chairman Paul Volcker fueled hope that perhaps the rebound is at hand.

The stock market lost no time in bouncing to the welcomed news that, while the economic recovery is strong, it does not threaten an increase in inflation and therefore a tightening of the money supply is not warranted.

While the stock market bounced at record levels, the movement in lumber prices provided more of a blip. Other forces were at work.

Institutional investors may have welcomed Volcker's comments July 24, to the Senate Banking Committee, as signaling a brave new world for stock prices in 1984, however, the simple fact for the lumber business is that the message came late in the building season.

The lumber market became more active early this month, but, according to Random Lengths associate editor David Bartel, "what's been missing is any real snap in the wholesale market."

"The market is better. Mills have order files," he added. "The market is healthier than it has been since March."

Although early this month it still seemed like retailers were continuing their pattern of maintaining lean inventories and buying carefully, there was the blip in prices.

In the last week of July the framing lumber composite was $182 per thousand board feet. By the first week of August that price has risen to $188.

Similarly, Western s-p-f studs increased from $134 per thousand board feet to $139 in the first week of August and the plywood price composite rose from $208 per thousand square feet to $216. All numbers are Random Lengths prices.

Clearly there has been improvement. While price movement upward was moderate early this month, the big news was that the movement was in that direction.

Afterall, s-p-f prices had been flirting with the low price levels reached during the last recession. For example, s-p-f studs at $134 per thousand board feet at the end of July were off from $219 a year ago and only $15 off the recession low of $119, which occurred in September 1982.

How long will this rally last? Obviously that depends on whose crystal ball is used. Don Zwanzig, a futures trader with Stotler and Co., Spokane, Wash., predicted that s-p-f 2x4s could hit $150 by mid-August, only to retreat to near $100 by October.

According to Zwanzig, the blip in lumber prices was merely "the same seasonal buying trap . . . the early August rally."

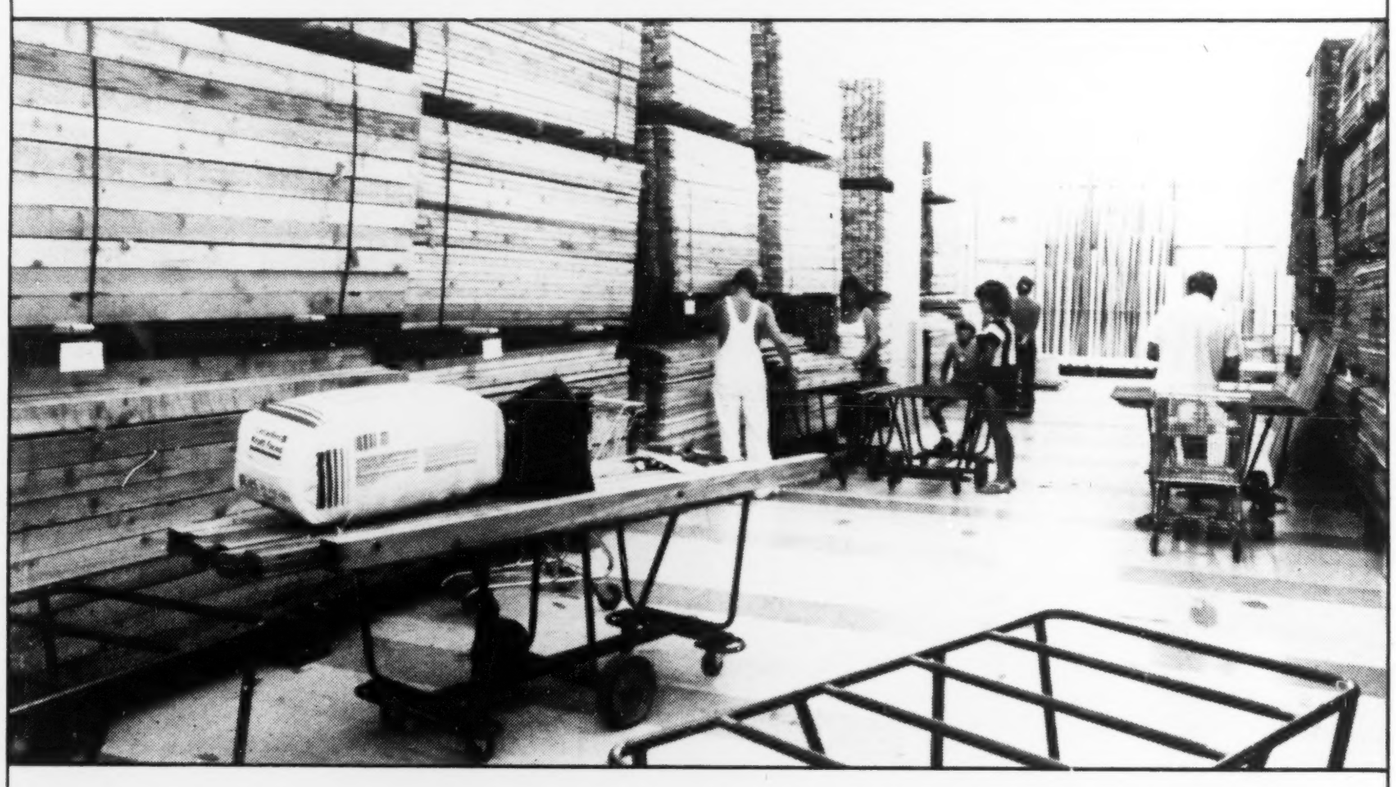
At the same time, however, the usually bearish Palmer Lumber & Plywood Forecast suggested that if the economy responds to Volcker's remarks with an interest rate decline of 0.5% or more, "attitudes could change prompting inventory building."

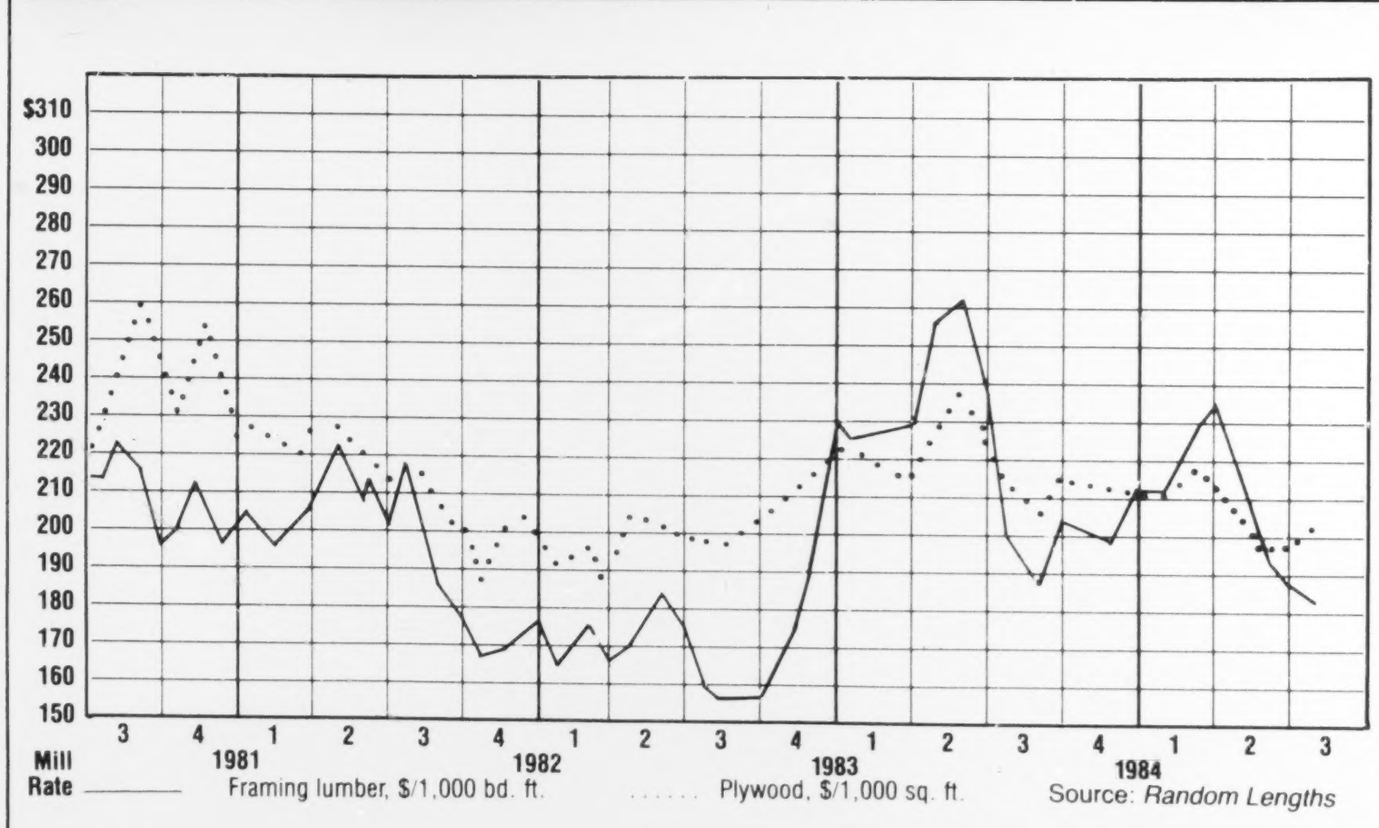
Forecast editor Chris Palmer noted, "Business has continued to be a great deal stronger than anyone expected. As a result dealers are being forced to cover their immediate needs now."

Additionally, as buyers increase orders at the mills, lower interest rates could allow mills to hold wood off the market to raise prices, Palmer suggests. In this scenario the market could rise $40 per thousand board feet, according to Palmer.

"It would not take much to move prices back to the $140-$145 level," he notes. "This would merely represent a $20 rally after a $70 drop."

Composite lumber/plywood price profile





Source: *Random Lengths*

The lumber composite price continued its downward trend last month, averaging $183 per thousand board feet.

Plywood, which had leveled somewhat, rose to $204 per thousand square feet.

Forecasts for August prices were optimistic as the month opened with a seasonal buying rally spurred by industry confidence that interest rates would level, based on comments to Congress by Federal Reserve chief Paul Volcker.

The framing and plywood composite numbers are based, respectively, on Random Lengths' weighted averages of nine key lumber and seven key plywood items.

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MERCHANDISING FEATURE:
L&G feeds Build & Grow expansion—pp. 19-24

National
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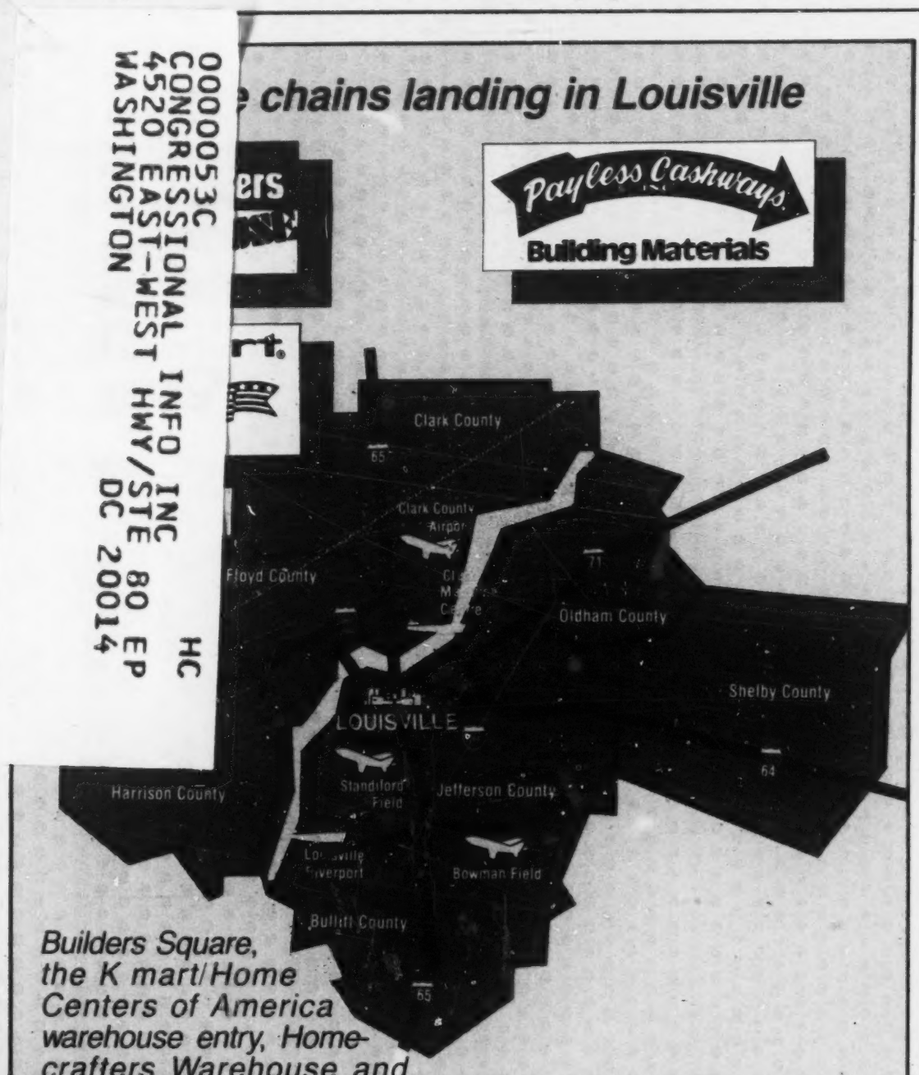

Builders Square, the K mart/Home Centers of America warehouse entry, Homecrafters Warehouse and Payless Cashways have all targeted the Louisville market.

Levy's, 84 Lumber, Lowe's brace for chain onslaught

By Linda Lynton Carnevale
NHCN field editor

LOUISVILLE, Ky. — Across the parking lot from Levy's Lumber here on Dutchman Lane, an abandoned CSC discount store is about to get a new lease on life. Its new tenant: K mart, which, with the recent acquisition of Home Centers of America, is considering using the site to open a bristling new warehouse home center.

For Phil Levy, president of Levy's Lumber, the possibility of gaining a competitor for a neighbor is only the beginning of a bigger problem he and his three-store chain are facing:

Within the next 16 months, Payless Cashways is expected to pounce on Louisville with four stores; Homecrafters has slated the debut of two warehouse home centers, and K mart/HCA are reportedly prepared to open at least one and possibly two Builders Square warehouses.

For some of Louisville's home center executives, as well as for town officials, the impending inundation of new home center operations comes as somewhat of a mystery.

"I've no idea why these stores are moving in," replied

(Continued on page 60)

Busy Beaver growth plan: build 5 warehouses a year

By Phillip M. Perry
NHCN associate editor

PITTSBURGH — Determined to strengthen its merchandising posture among consumers while moving into new markets, Busy Beaver Building Centers plans to open three new warehouse stores next year, and five annually for at least the following four years.

The new stores are expected to help the chain nearly triple its annual volume to some $250 million over the next five years, according to chain president Jack Fagen.

"The opportunity is there," said Fagen, explaining the reason behind the new construction drive. "There are still some major markets available that have not been tapped for this kind of [warehouse] retailing. It's important to get into those markets quickly, before the competition."

While Fagen would not speculate on the locations of the new markets, he noted that there were "no outside limits" to where the chain might expand. Currently moving some $87 million worth of merchandise annually, the company's 24 stores are now located primarily in western Pennsylvania and eastern Ohio.

Because all of the company's new stores will be oriented toward do-it-yourself (DIY) sales (sales to contractors will be made only on a cash basis), Fagen feels the company's mix of DIY sales, now 75%, should rise to about 90% over the next five years. Five years ago, consumer sales accounted for only 25% of chain volume.

A key element in the new expansion program is a prototype warehouse store plan developed over the past two years as

(Continued on page 59)

Wickes Lumber unveils software for chainwide kitchen design plan

VERNON HILLS, Ill. — Wickes Lumber has launched a new computer-assisted design service using a customized software program that produces lifelike illustrations of kitchen options for consumers. Wickes officials said the chain expects to install computers using the system in all of its stores over the next 12 months.

The $814 million subsidiary of Wickes Companies was scheduled to have the system, which it calls Comp-U-Kitchens, installed in eight stores across the nation by the first of this month, after running initial tests in three stores this spring.

Builders Emporium, Irvine, Calif., a division of Wickes, has not yet decided whether to utilize the system.

The program differs from computer assisted design (CAD) systems reaching the market (*NHCN*, Aug. 13) by offering line drawings of how finished kitchens will appear. These drawings include details such as styling of cabinet doors and dishwasher panels, sink faucet stems, refrigerators and cookie jars.

While viewing these drawings on the computer screen, customers can have the salesman alter the design and placement of cabinets and appliances. As such changes are made, the computer automatically adjusts the total price for the package being viewed.

Once the customer is satisfied with the picture on the screen, a salesman punches a button and the computer prints

(Continued on page 60)

NEWSBREAKS

WICKES GAINS CONTINUE. Wickes Cos., which is preparing to emerge from Chapter 11, recorded sales and earnings gains for the second quarter. Net income rose 4.3% to $12.2 million on sales of $805.5 million, a 7% increase.

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Hines prototype bolsters retail image

By John Caulfield
NHCN senior editor

EAST DUNDEE, Ill. — Edward Hines Lumber Co. has opened a 23,000-sq.-ft. "quasi-warehouse" home center here, that will serve as the prototype for future remodeling and expansion of the 26-unit, Chicago-based chain.

Hines expects to retrofit three-quarters of its stores by year's end using this format that includes a new race track-style store layout, a computerized inventory management system (see story, page 39), bold endcap graphics and department signs and a much broader assortment of lumber and building materials to be sold in the store as opposed to the outdoor lumberyard.

"The objective is to get as much under roof as possible, and our whole intent is to make the store more efficient by emphasizing in-store service," said Edward Maidment, an 11-year veteran of Wickes Lumber who joined Hines in January as its director of operations.

Also coming on board late last year was former Wickes Lumber area vice president Curt Powell, who is now Hines' senior vp-merchandising.

Maidment said that 80% to 85% of the East Dundee unit's 7,800 stock keeping units are being sold in the store, compared with around 55% for a typical Hines store, and it represents the first time the chain has brought lumber into the store in large quantities.

Six species of hardwoods sold in 1x2-ft. to 1x12-ft. lengths have been added, compared with two species in limited lengths carried in the other stores, and East Dundee's kitchen cabinet and hardware departments also have been beefed up and made deeper. The chain is also phasing out its affiliation with the Cotter & Co. distribution network, and will buy more of its products direct from manufacturers.

Edward Hines has broken down the unit's product mix into 77 categories, compared with the 30 tracked in its other stores, to better analyze sales and item movement and to orient the store's merchandising toward attracting a wider consumer base. The store's volume is projected by Maidment to hit $5.5 million in its first year, with 70% coming from retail sales. Chainwide, Hines' stores do $3.4 million each, and get more than 40% of their volume from contractors.

The store had a quiet opening

(Continued on page 59)

Roy Wille, manager of Hines' new East Dundee, Ill., unit: "Over half our floor space is devoted to lumber (former kept outside), compared to only a third at our older stores." NHCN photo

NHCNews Briefs

Industry Update

HomeClub to open 3 new whses

LONG BEACH, Calif. — Three-unit HomeClub plans to have three more warehouse home centers in operation by Oct. 20—the chain's one-year anniversary date, according to George Handgis, executive vp.

The new warehouses—each containing approximately 100,000 sq. ft. of selling space—are in San Jose, Fullerton and San Bernardino. The San Bernardino site is the chain's first build-to-suit; San Jose is an ex-Zodys discount store and Fullerton is a former J. C. Penney outlet.

Handgis said early next year HomeClub will relocate its corporate offices in Long Beach to the Fullerton site. He added that HomeClub plans to open eight units in 1985. New markets for HomeClub expansion include Santa Rosa (north of San Francisco) and Sacramento.

HomeClub is currently working with the New York investment firm of Donaldson, Lufkin and Jenrette to raise more than $10 million in a private placement intended to raise capital for future expansion.

Court sets Wickes hearing date

LOS ANGELES — A long-awaited hearing to confirm Wickes Cos.' reorganization plan has been set for Sept. 21 in the United States Bankruptcy Court here.

The 8 a.m. hearing before Bankruptcy Court Judge William Lasarow will take place in Courtroom H on the ninth floor of the United States Courthouse, 312 N. Spring St., a Wickes spokesman said.

If the plan is approved at the confirmation hearing, Wickes would not actually emerge from court protection under Chapter 11 of the Federal Bankruptcy Code until January 1985, when the plan would formally become effective.

However, the Wickes spokesman said that dates will be set for the first cash distribution to creditors at the hearing. Results of balloting on the reorganization plan by Wickes creditors, shareholders and bondholders are also expected to be revealed at the hearing.

Wickes has been operating under court protection since April 1982.

Entz-White files for Chapter 11

PHOENIX — A drop in summer business and increased competition stimulated by the market entry of The Home Depot has forced single-unit Entz-White Lumber & Supply to file for Chapter 11 reorganization.

The company, which has 1982 estimated sales of $5.4 million, filed for reorganization in U.S. District Bankruptcy Court in Phoenix on Aug. 17, said Tom Elliot, general manager.

Entz-White, founded in 1952 by John Entz and Bish White as a lumberyard and hardware store, has been phasing out of the home center business in recent months as a result of the increased competition, Elliot said.

Entz-White stopped selling lumber in January, he said. The store now has an unusual mix of gifts, clothing, housewares, hardware items and paint.

In June, Elliot said, as part of a "switch to a department store look," the company spent about $1 million in remodeling and expansion. But an unexpected drop in business in July caused a cash-flow problem and forced Entz-White to seek court protection.

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Vol. 10, No. 19 Sept. 10, 1984

Poor Southern weather dampens Home Depot stock on Wall Street

ATLANTA — "Extremely bad" weather in The Home Depot's major markets of Georgia, Florida and Louisiana during July will result in "flat" earnings for the second quarter, chairman Bernard Marcus said.

The Home Depot reported second quarter earnings of $3.8 million or 15¢ per share compared with $3.4 million or 13¢ per share a year ago.

Marcus' announcement on Aug. 17 sent The Home Depot stock plunging on the New York Stock Exchange. It had closed on Aug. 16 at 22¾, and reopened Friday—after the announcement—at 15. The stock closed that day at 16⅛ after more than 2.57 million shares had changed hands, making The Home Depot the most actively traded N.Y.S.E. stock.

The stock continued rising the following week, closing at 17 on Aug. 22.

Earlier, Marcus had reported sales of $119 million for the second quarter, adding that comparable-store sales were ahead 16% for the quarter.

In a statement, Marcus said customer traffic and sales "were blow our expectations. In anticipation of those sales, we had taken an aggressive promotional position and the results were that a higher proportion of promoted merchandise was being bought by our customers. This had the effect of lowering gross margins to below our plan."

Marcus said, however, that he expected the full-year profits to rise at least 20% from last fiscal year's $10.3 million, or 41¢ a share.

July housing starts falter under burden of higher interest rates

WASHINGTON — Single and multifamily housing starts fell 6.6% in July to a seasonally adjusted annual rate of 1.761 million, while building permits plunged 11.7% to 1.562 million, according to the Commerce Department's Census Bureau.

July's decrease in housing starts follows a 5.1% increase in June and an 11% drop in May. The July figure is the lowest rate since March when poor weather and the unusual strength of February's 1984 peak of 2.26 million were blamed for the decline. The monthly building permit rate has not been this low since September 1983.

Single family starts declined 10.1% in July to an annual rate of 982,000, the first time single family starts have fallen below the annual rate of one million since December 1982, according to the Commerce Dept.

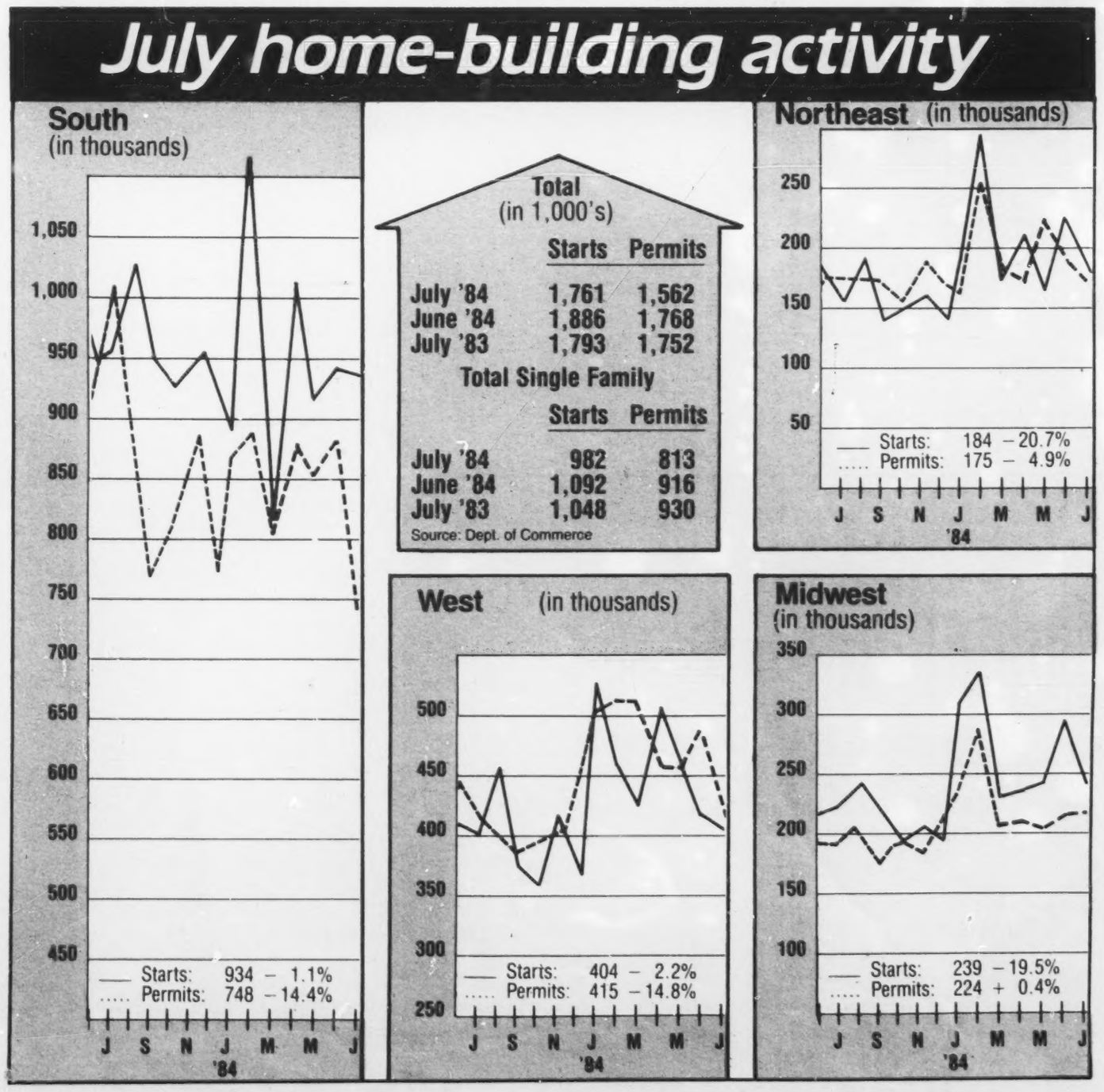
"The housing industry is clearly showing signs of weakening under the heavy weight of high mortgage interest rates," said Dr. Jack Carlson, chief economist for the Natinal Assn. of Realtors, an association of 600,000 real estate professionals based here.

Mortgage interest rates in June stood at 15% for fixed rate home loans and just above 13% for adjustable rate loans.

"Although long-term interest rates have decreased slightly in recent weeks, apparently due to a downward revision in inflation expectation among investors in the credit markets, they can be expected to continue their gradual upward trend in the months ahead," said Carlson. He predicted that excessive Federal borrowing to finance its huge deficits this year and next, as well as growing private credit demands, will keep upward pressure on interest rates through 1985.

On the long-term picture for housing starts, Carlson said the seasonally adjusted annual rate is likely to drop to 1.5 to 1.6 million units by the fourth quarter of this year and to less than 1.5 million by the third quarter of 1985. For all 1984, housing starts are expected to total nearly 1.8 million, while 1985's total should fall to less than 1.5 million, Carlson predicted.

About 62%, or 1.1 million of the housing starts projected for 1984 are likely to be single-family homes, while 61%, or 908,000, of the total housing starts in 1985 are likely to be single-family units, he said.



Total housing starts dropped 6.6% in July to a seasonally adjusted rate of 1.76 million units, from June's revised figure of 1.89 million starts. Building permits, which can presage future home-building trends, also fell in July—to 1.56 million, an 11.7% plunge from the previous month.

Single family starts and building permit figures took similar dives in July: Single family starts were off 10.1% to a seasonally adjusted rate of 982,000; single family building permits fell 11.2% to an annual rate of 813,000. The Northeast and Midwest regions of the country experienced the biggest decreases in starts. The South and West, while holding family steady in starts, experienced sharp declines in building permits.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Edward Hines	6/30-2nd qtr.	77,424	69,129	12.0	801	1,511	(47.0)
Erb Lumber	6/30-2nd qtr.	43,191	38,056	13.5	1,262	1,094	15.4
Evans Products retail group	6/30-2nd qtr.	297,700	261,140	14.0	18,700	27,910	(33.0)
Homecrafters Warehouse	7/31-2nd qtr.	43,300	30,622	41.4	500	633	(21.0)
Scotty's	6/30-1 yr. 6/30-4th qtr.	424,500 114,021	359,746 107,023	18.0 7.0	18,000 5,284	11,250 4,176	60.0 9.0

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 8/20	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		38¾	45	32½	12
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34½	44¾	33¾	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5½	16	4¾	—
Forest City (AMEX)	A	16¼	20⅛	13⅜	—
	B	15⅝	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅞	50⅜	36½	11
Home Depot (NYSE)		15½	31¾	14	32
Lowe's (NYSE)		19¼	27⅜	16¼	13
Michigan General (AMEX) [Diamond Lumber]		7⅝	14	4⅝	76
Pay 'N Pak (NYSE)		15⅞	20⅛	12¾	14
Payless Cashways (NYSE) [Furrow]		15⅝	27½	13½	12
Scotty's (NYSE)		13⅞	17	11⅜	10
Southwest Forest Industries (NYSE) [Knox Lumber]		16¾	22½	12¼	—
Standard Brands Paint (NYSE)		18¼	24¼	16½	10

Nasdaq—over-the-counter stocks

		As of 8/20	52-week High	52-week Low	P/E Ratio
Color Tile		15	18¼	13⅝	—
Hechinger	A	17¾	24¼	13½	—
	B	18¼	24½	14	—
Homecrafters Warehouse		11¾	17½	11¼	—
Pay 'n Save		15⅞	29¼	14⅜	—
National Lumber		6⅛	13¼	5½	—

Over-the-counter stocks

	As of 8/20 Bid	As of 8/20 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	20½	22	25¼	17
Hines Lumber	35½	—	41½	25½
Home Centers of America	10½	10⅝	15½	6⅜
Scotts Seaboard [Scott's]	1¾	2¼	5	1⅜
Wolohan Lumber	4⅜	4½	7½	4

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FINANCIAL NEWS

Homecrafters net earnings drop 21% in 2nd quarter

BIRMINGHAM, Ala. — Preliminary results show that Homecrafters Warehouse earnings for the second quarter ended July 31 fell about 21%, to about $500,000, or 22¢ per share, company officials said.

Chairman and president George Hanzi said, based upon preliminary information, second quarter earnings were impacted by a general sales softness experienced by the industry and various real estate and construction problems which delayed opening several warehouse stores.

The company recorded sales of $43.3 million in the quarter, a 41.4% increase over the prior year's quarter, but about 6% off plan, Hanzi reported.

Earnings were further impacted by expenses of $730,000 associated with the opening of four new warehouse stores. Hanzi said earnings figures for the first Denver warehouse store, opened in May, had to reflect all of the grand opening and regular advertising expenses in the market until the second Denver store opened on Aug. 9. Similarly, Hanzi continued, the first Nashville warehouse store opened in July and is also absorbing all the Nashville market advertising expenses until the second Nashville store opens in September. Advertising expenses in the second quarter were 6.8% of retail sales compared with 3.8% in the first quarter.

Hanzi said he is optimistic for the second half of the year.

Home Depot records 79% sales increase for second quarter

ATLANTA — The Home Depot posted sales of $119 million for the second quarter ended July 29, a 79% increase over sales of $66.6 million for the same year-earlier three-month period.

Chief executive Bernard Marcus said comparable store sales were 16% ahead of the second quarter of last year. During the second quarter, The Home Depot opened stores in Tucson and Phoenix.

Sales for the six-month period were $214.9 million, an increase of 96% over the first half of fiscal 1983 sales of $109.6 million. For the half, comparable store sales were 18% ahead of the year-earlier's first six months.

Falling lumber prices affect Hines earnings

CHICAGO — Edward Hines Lumber earned $801,000, before a $90,000 tax loss carryforward, on sales of $77,424,000, for the three months ended June 30.

While sales were up 12% from the second quarter a year ago, income was off 47%.

Hines attributed the drop in earnings to the precipitous fall in lumber prices that affected the company's wholesale distribution centers, which reduced their lumber inventories.

This year's second-quarter results include those of The Kindt Corp., which Hines acquired on April 1. This acquisition, along with aggressive advertising and a new prototype, are expected to continue the improved sales and earnings shown by the Hines home centers during the second quarter.

For the first six months, ended June 30, sales were up 9% to $126.9 million. However, net income, before a $90,000 tax loss carryforward, came to $105,000 compared to $625,000 a year ago or $6.6 million including a tax benefit and other accounting adjustments.

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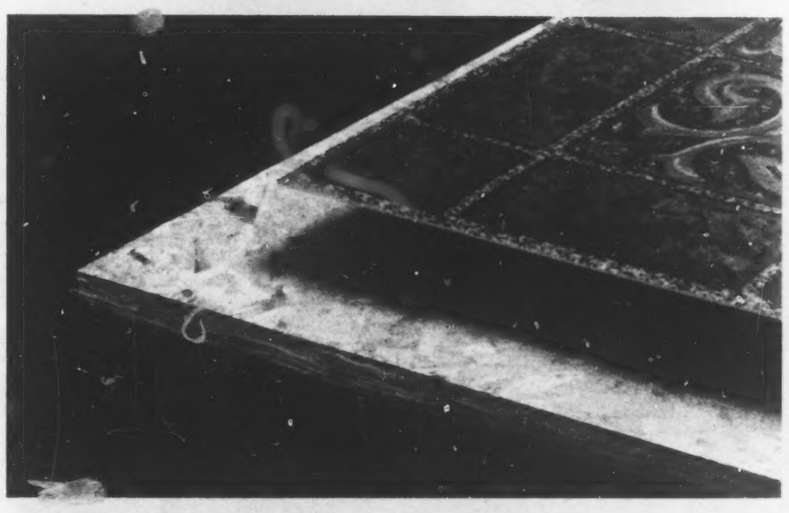

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LUMBER REPORT

Champion/St. Regis merger deal may not lead to Goliath syndrome

NATIONAL REPORT — The pending merger of Champion International and St. Regis may result in the second largest lumber producer in the forest products industry.

In 1983 Champion produced 1.3 billion board feet of lumber, ranking number four in production, according to *Forest Industries* magazine, which listed St. Regis 14th last year with 583 million board feet.

The 1.9 billion board feet that the companies together produced would have placed them second in production behind Weyerhaeuser with 3.1 billion board feet and ahead for Georgia Pacific, which produced 1.8 billion board feet, according to *Forest Industries*.

The implications of creating such a giant and its impact on the home center industry are not completely clear.

Matt Coleman, engineering editor of *Pulp and Paper* magazine suggested that one less supplier means one less competitor. That kind of change, of course, can affect price and service.

However, John Hall, secretary and vp of the National Forest Products Assn., pointed out that the forest industry is fragmented to the point where no single manufacturer has more than six or seven per cent market share.

Of the Champion-St. Regis transaction he commented, "It's not like General Motors merging with Chrysler."

The larger question that has been raised, though, is whether other companies, perceived as undervalued, will become takeover targets. The Champion won St. Regis on the rebound as that company tried to avoid the clutches of an unwanted suiter, Rupert Murdoch.

There may not be companies within the Forest Products industry with the power to take on a target as Murdoch did, according to Chris Palmer, editor of *Palmer's Lumber and Plywood Forecast*, a newsletter.

"From outside the industry, yes," he continued. "But I don't understand the viability of owning a raw materials company in terms of deflation and the book value of those trees in the woods and the land, which have considerable less value than in 1979."

There is an estimated six million acres of forest land up for sale now. While lumber prices have rebounded some since late July's signal by the Federal Reserve that the money supply will not be tightened, prices were nearing recession-like lows and even with the current bounce they remain off substantially.

"In the 1960's and 70's timberlands were a good inflation hedge," said George Adler, analyst for Smith Barney, Harris Upham. "Even though companies didn't have use for certain types of timber, they accumulated it.

"Then they realized that they didn't get a decent return and the value of the land didn't go up. They all tried to sell at the same time."

Indeed, it is expected that among assets St. Regis may sell are its timberlands. Despite the deflated timberland prices, however, for one forest product company to acquire another could be a matter of perceiving the forest through the trees.

While some suggested that in purchasing St. Regis for an estimated $1.7 billion in cash and stock Champion paid a sharp premium, Adler noted that it could be "cheaper to buy other people than to make the capital investment." Mills do not come cheaply.

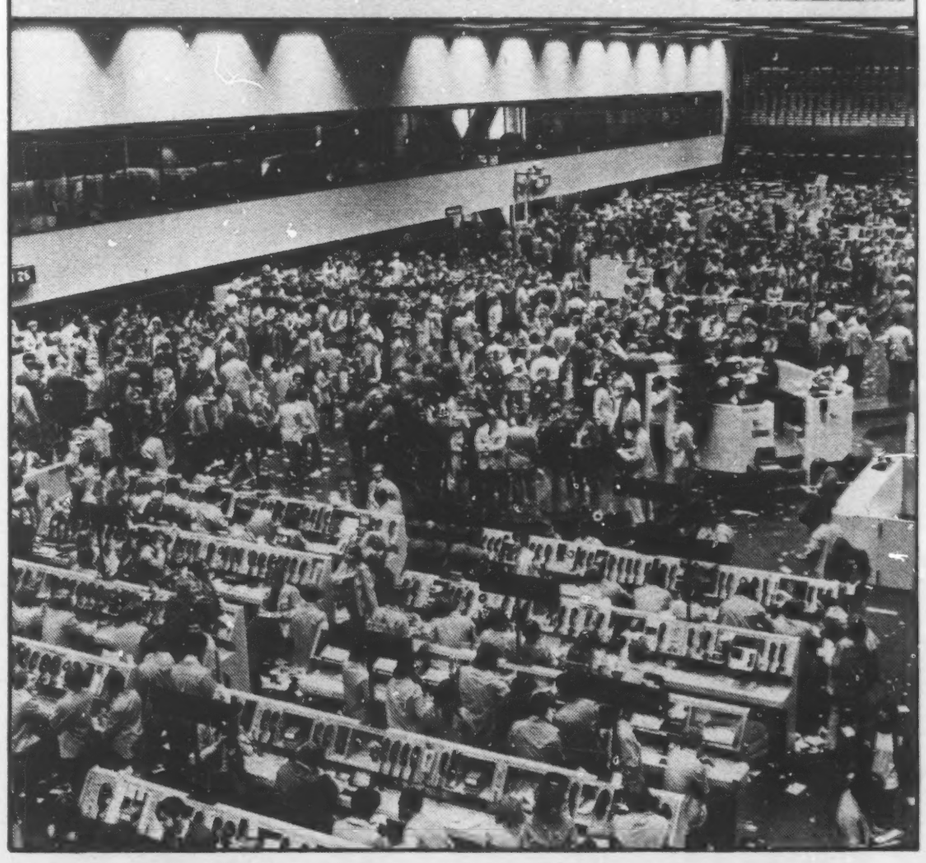
FUTURES

Two weeks ended Sept. 9, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept. '84	144.00	133.20	139.30	137.50	2,419	236.00	115.50
Nov.	151.70	139.40	147.30	143.00	2,836	229.00	121.40
Jan. '85	160.50	148.50	158.10	152.80	936	221.30	131.70
March	169.20	157.50	166.50	162.50	557	220.40	139.30
May	176.20	164.50	173.10	169.00	249	225.00	147.40
July	182.20	172.50	180.00	177.00	236	230.50	153.00
Sept.	186.30	177.50	184.00	181.50	143	197.50	157.50

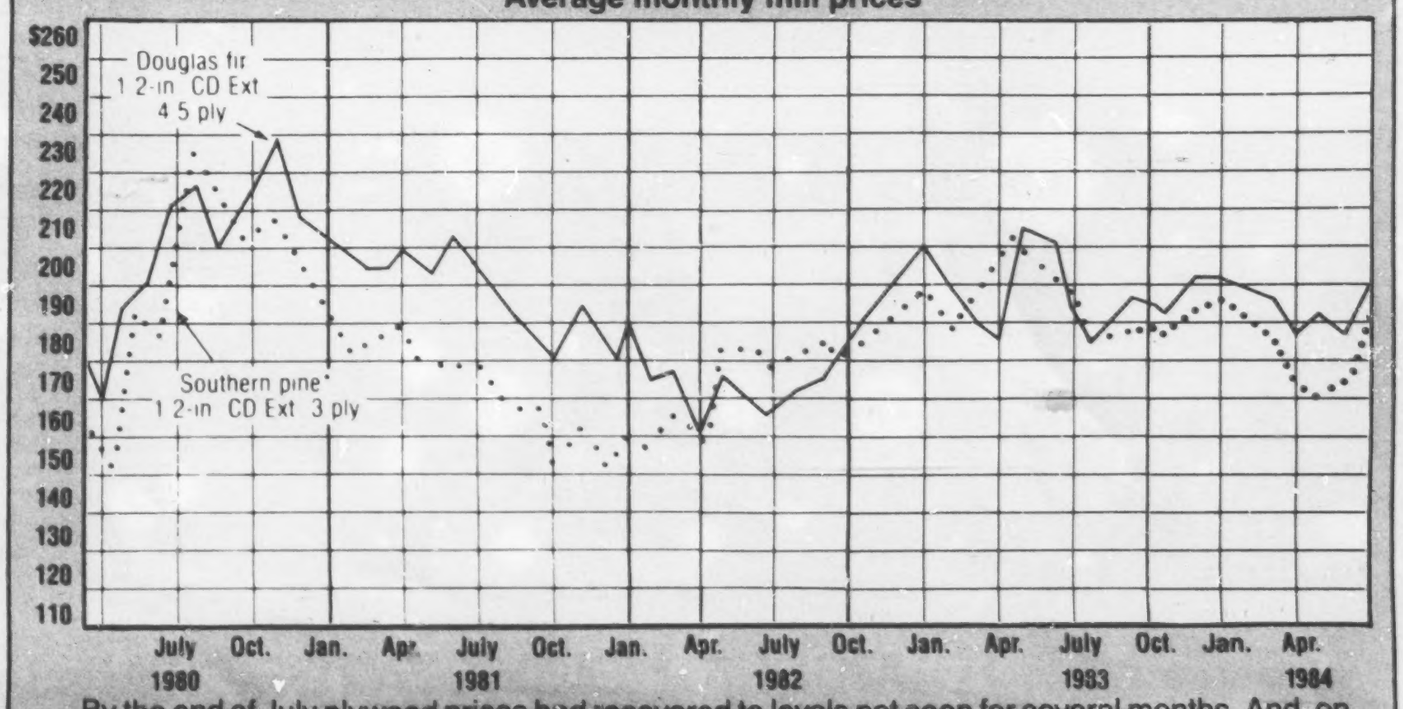
Total Contract Vol. (Through 9/9: 26,154 — Previous Two Weeks: 23,306
Total Open Interest (As of 9/9): 7,407 — Previous Week: 7,090
Cash Price: $144.06 — Previous Week: $136.22 — Year Ago: $161.70

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 9.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.



Commodity close-up: Western & Southern Plywood

Average monthly mill prices



By the end of July plywood prices had recovered to levels not seen for several months. And, on the strength of optimism concerning interest rates, prices continued upward.

At the end of July, Doug fir ½-in. CD Ext. 4/5 ply was selling for $203 per thousand square feet compared to $188 in June and $190 a year ago. By the second week in August the price was up to $218.

Similarly, Southern pine ½-in. CD Ext. three ply sold for $195 per thousand square feet at the end of July compared to $175 in June and $195 a year ago. In the second week of August the price had risen to $205.

Source: *Random Lengths*

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MERCHANDISING FEATURE:
Lighting & electronics—pp. 15-20

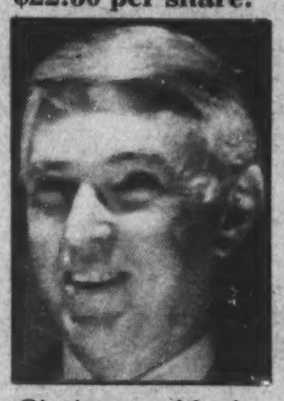
National
Home Center News ®

Vol. 10, No. 20 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Sept. 24, 1984

Court battle looms over Pay 'n Save buyout bid

By John Caulfield
NHCN senior editor

SEATTLE — A private group of investors that includes three top Pay 'n Save executives has won approval from that company's board of directors to purchase all the firm's stock—some 15.2 million outstanding shares—for $22.50 per share.



Chairman M. Lamont Bean backs Trump bid

However, two members of Pay 'n Save's nine-person board, who are the company's largest stockholders, voted against the pact, setting the stage for a potential counteroffer and, possibly, a court battle contesting the legality of the $355 million agreement.

The investment group that won the board's approval is led by The Trump Group, a diversified business and financial firm based in New York. Trump, headed up by South African-born Julius and Edmund Trump, specializes in leveraged buyouts, having attempted unsuccessfully to purchase Marshall Fields, the department store company in Chicago, two years ago. Among Trump's holdings is the Bonds men's discount clothing chain with stores on the East Coast.

Also in the investment group formed for the buyout are Pay 'n Save chairman M. Lamont Bean; its president, Bean's son-in-law, Ronald Erickson, and vice chairman Calvin Hendricks.

Following an all-night meeting Sept. 7 with investors, financial consultants and company executives, Pay 'n Save's board—on which Bean, Erickson and Hendricks sit—accepted the group's cash tender offer for all shares "subject to a minimum of approximately 51% of the out-

(Continued on page 57)

Hechinger cites 7 markets for 20-store, two-year blitz

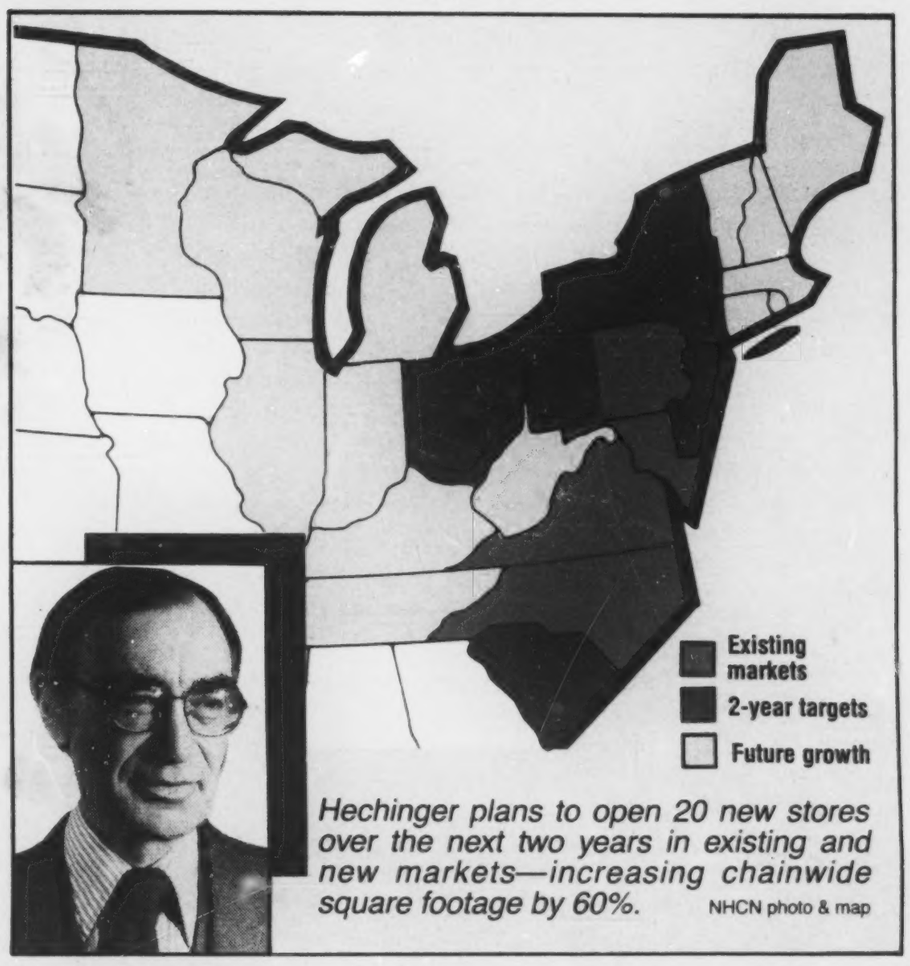
By Kenneth Schept
NHCN executive editor

LANDOVER, Md. — Hechinger, the 43-store mid-Atlantic chain is about to unleash a major expansion drive expected to land stores in seven new market areas within two years.

Early this month the chain filed with the Securities and Exchange Commission in order to issue $75 million in convertible subordinated debentures that would fund the opening of 20 stores in current markets as well as in Ohio, western Pennsylvania, Delaware, upstate New York, Long Island, New Jersey and South Carolina.

The preliminary prospectus, dated Sept. 4, also indicates that future expansion is being considered as far north as Maine and westward to Minnesota, including all of New England as well as the states of West Virginia, Kentucky, Tennessee, Indiana, Illinois, Michigan and Wisconsin.

The new markets are expected to be invaded with warehouse-type stores of 70,000-to-100,000 sq. ft., compared with the current 60,000-sq.-ft. Hechinger prototype, which may still be used to fill in existing markets. The chain's first warehouse store is set to open this month in Raleigh, N.C., with the next two openings planned for Greensboro, N.C., and Columbus, Ohio, during this fiscal year, which ends Jan. 31.



Hechinger plans to open 20 new stores over the next two years in existing and new markets—increasing chainwide square footage by 60%. NHCN photo & map

The change in store size and the rapid increase in number of units is expected to boost selling and storage space by 60% to 5.3 million sq. ft. in two years.

(Continued on page 57)

N.J. firm acquires 14.5% interest in Mich. Gen'l; seeks board seats

By Phillip M. Perry
NHCN associate editor

DALLAS — General Felt Industries, a Saddle Brook, N.J., carpet and furniture manufacturer, has acquired 14.5% of the stock of Michigan General, in a bid to gain a potentially controlling interest over that company and its subsidiary, Diamond Lumber.

"We purchased the stock first to make an investment, and second in order to gain some control over the company to protect our investment," said Robert Condon, finance vp for General Felt, a $400 million privately held firm.

With the purchase, General Felt has become the largest stock holder of Michigan General, which had a volume of $192 million last year. The acquisition of Diamond Lumber in September of last year brought Michigan General $81 million of that volume during the last three months of 1983.

Diamond Lumber, which has 97 retail stores, moved some $300 million worth of merchandise last year, and thus its operation is expected to boost Michigan General's volume this year to over $435 million, *NHCN* estimates.

The story behind General Felt's stock purchase originated last September, when Michigan General purchased Diamond Lumber from Diamond International for $110 million cash plus one million shares of Michigan General stock valued at $10 a share. Diamond International sold this stock to Valley Forge Ventures, Valley Forge, Pa.

General Felt purchased 1,348,200 shares from Valley Forge for $9 a share on Aug. 24 of this year, and also purchased an additional 300,000 shares on the open market for rates varying from $6.50 to $7⅝ a share. In all, General Felt paid $14.5 million for the Michigan General shares.

Condon said General Felt would most likely negotiate with Michigan General for some presence on the board of directors.

"When you have some seats on the board, you are listened to," he said.

Condon said it was "undecided" whether General Felt would seek a controlling interest in Michigan General, or be content with a partial control.

Michigan General said there has been no formal talks with General Felt concerning board seats.

"The only contact they have made with us was to ask whether I would be unfriendly to their purchase of the stock," said John R. Boudreau, president and ceo for Michigan General. "I told them they could spend their dollars as they saw fit.

"If they want to buy into their industry, let them," added Boudreau.

Boudreau said because he had received no indication that General Felt intended to take over Michigan General, his company was making no moves at this point to deal with such a

(Continued on page 57)

NEWSBREAKS

HOMECRAFTERS EXPANSION IN DENVER. Homecrafters Centers, Pelham, Ala., has begun construction on 75,000-sq.-ft. build-to-suit warehouse home centers in Littleton and Lakewood, Colo., which are both scheduled to open in the spring of 1985.

INSIDE:

EXISTING SINGLE-FAMILY home sales fell in July for the third consecutive month . . . . . **Page 2**
SCOTTY'S WILL OPEN for business seven days a week, reversing a long-time company ban on Sunday hours 3
MIRROR PRODUCT sales have quickened as home centers offer consumers more diversified selections 3
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HOMEOWNERS WAREHOUSE's new computer system centralizes product tracking and inventory replenishment . . 25

EXPANSION PLANS PARED

Home Depot maps Detroit market entry

ATLANTA — In the aftermath of last month's 28% drop in Home Depot stock price that shook confidence in the company among investors and security analysts, executives for The Home Depot here are "angrier and more motivated" to reassert the chain's high-flying image on Wall Street and in the industry, says chairman, Bernard Marcus.

However, Wall Street's concern about the chain's future profitability were not assuaged by the announcement this month that the 21-store chain will open 15 stores in 1985, including its first entry above the Mason-Dixon line with four stores in Detroit. The store openings also include Home Depot's long-awaited debuts in Houston and southern California, which have been postponed to next year.

Analysts allude to the more than three percentage point dip in the chain's margins last quarter, the slowdown in this year's expansion plans from a proposed nine units to three, and the new and powerful companies—K mart and Service Merchandise, specifically—entering the home improvement market with warehouse stores for the first time as factors that could impede Home Depot's growth.

When Home Depot officials reported that its second quarter earnings for the period ended July 29 would be flat compared to 1983, a flurry of stock trading was touched off that saw the chain's price erode 6⅛ points to 16⅛ on Aug. 17. The actual earnings, released this month, came to $3.8 million, 15¢ per share; an 11.8% increase.

Institutional investors, who own more than 40% of the chain's stock, led a wave of selling as close to 2.6 million Home Depot shares were traded, making it the most active stock on the New York Exchange that day. Most analysts, who

(Continued on page 58)

NHCNews Briefs

Industry Update

Bocola leaves BE for Grossman's

IRVINE, Calif. — Top management changes at Builders Emporium continued last month with the departure of Martin R. Bocola, senior vp operations.

Bocola joined Grossman's 29-unit northwest division in San Carlos, Calif., as its new vp-operations, filling a job vacated by Robert Pacos, who was promoted to the division's general manager slot in December.

Bocola's decision to leave BE came about a month after the chain's president Tony Swies and general merchandise manager, Steve Capasso retired and resigned, respectively, amid charges from Wickes Cos., BE's corporate parent, that profit goals had not been met (*NHCN*, Aug. 27).

Bocola, 36, joined Grossman's on Sept. 10, three days after officially resigning as senior operations vp for Builders Emporium, the 59-unit home center division of Wickes Cos. based in Irvine, Calif. He had held that position since September 1983.

Pay 'n Save plans mini-auto depts.

SEATTLE — Pay 'n Save plans to carve out large areas in several of its home centers for an experimental "store within a store" selling auto supplies.

According to a company spokesman, Pay 'n Save will allocate around 5,000 sq. ft. of one Ernst Home Center unit in Spokane and two in Belleview, Wash., for the special department, about one-seventh of the total indoor selling space.

"These departments will actually be mini-Schuck's," said the spokesman. Schuck's Auto Supply is the 58-unit automotives specialty retail company Pay 'n Save purchased for $70 million worth of its stock in January.

However, the implementation of this experiment, as well as the proposed expansion of the Schuck's chain by 15 stores this year, could be put on hold, the spokesman said, pending the outcome of the takeover bid being made by a group of private investors that includes several top Pay 'n Save officials (*see story, p. 1*).

Scotty's, Depot eye St. Pete sites

ST. PETERSBURG, Fla. — The market is hot and getting hotter, particularly along one retail strip where both Scotty's and The Home Depot plan to open stores within a short distance of an existing Lindsley warehouse store.

The Lindsley store was converted from a traditional home center and opened here last spring (*NHCN*, May 7).

Home Depot reportedly plans to open its store across the street from the Lindsley warehouse next month.

Scotty's plans to break ground next month for a 60,000-sq.-ft. store that will be positioned adjacent to the Lindsley warehouse unit. The store is expected to open in about six months, according to Scotty's secretary, Harold Taylor.

Erb acquires $8M independent

BIRMINGHAM, Mich. — Erb Lumber, a chain of 29 stores that grossed $137 million in 1983, purchased Haggerty Lumber and Supply, an independent based in Walled Lake, Mich., on Aug. 13, for an undisclosed price.

Erb Lumber expects to maintain the name of the acquired firm, which had been in operation for 25 years and was doing a volume of some $8 million annually. However, Erb plans to make "some changes in the merchandising, primarily in the cosmetic area," according to Mallon.

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Vol. 10, No. 20 Sept. 24, 1984

Realty firm buys Chicago yard to support its building projects

CHICAGO — Lumber City, a single-store independent home center here was recently purchased by Inland Real Estate, a Chicago-based corporation with 20 companies in real estate and financial services

The 51,000-sq.-ft. home center, which is situated in Melrose Park, had total sales of $3.4 million last year. To date, 75% of sales are to consumers, and despite the new owner's intention of building up Lumber City's construction supply base, that side of the business will not be neglected.

"A 26-store, 12.5 acre shopping center is being built close to the store, so Lumber City was well positioned to increase business in both construction and DIY retailing," said company spokesman, Cheryl Campbell.

More important role

However, it is the construction end of the business that Inland is looking at first. The corporation has several construction-related subsidiaries currently involved with apartment construction, and views Lumber City as a way to supply the lumber and hardware needs of these entities.

Also, despite Lumber City's emphasis on DIY retailing, the store's executives are not strangers to the construction business. This originally family-owned company started in 1945 with a heavy emphasis on construction supply which developed into fabricating construction components like doors, during the 1960's and early 1970's.

However, that side of the business was sold about 10 years ago and the store concentrated on retailing to the DIY market. It currently has 13,000 stock keeping units in 18 departments—nine serving the consumer, nine the contractor. In talking about the acquisition, Lumber City's president, Joseph Joseph, said, "We have the experience and the materials required to get the job done."

Lumber City's management team is not being changed, and despite the aggressive tactics being shown by some of the store's direct competitors—Forest City and Courtesy—Inland does not plan any immediate store additions. "We might open another branch in the future," said Campbell, "but nothing has been planned yet."

Somerville acquires site in N.H. to build fourth unit

SOMERVILLE, Mass — Somerville Lumber recently acquired a site to build its fourth store, in Nashua, N.H. The store is slated to be built by early 1985.

"Talking about that store [Nashua] is somewhat premature as we've not yet started building it," said company vice president and general manager, Harold Cohen. "However, we do expect it to be somewhat similar to the West Bridgewater store," which opened last month.

That store, which had its grand opening on Sept. 16, cost Somerville about $7 million to build and stock.

All of Somerville's stores carry about 40,000 stock keeping units with an inventory worth some $3 million. The units are composed of a main store with adjacent warehouse.

"We're actively looking for new sites in the northeast," said Cohen. "The speed of expansion will be limited by how rapidly we will be able to effectively operate each new store in an effective manner. The way we execute operations in our new stores will be similar to the way we've been doing it in our old."

Somerville's third—West Bridgewater—store is "bigger and better" than previous units, and Cohen is equally optimistic about the yet unbuilt fourth store.

The West Bridgewater unit

(Continued on page 57)

Home resales plunge for 3rd month in row

WASHINGTON — The annual pace of existing single-family home sales fell in July for the third consecutive month to a seasonally adjusted rate of 2 78 million units, a 6.1% decline from the previous month, according to the National Assn. of Realtors.

July's home resale rate equalled the year-ago pace and was 33% below the peak annual rate of 4.15 million units in November 1978. Home resale activity hit its lowest ebb during the recession in August 1982 when the annual rate fell to 1.88 million units.

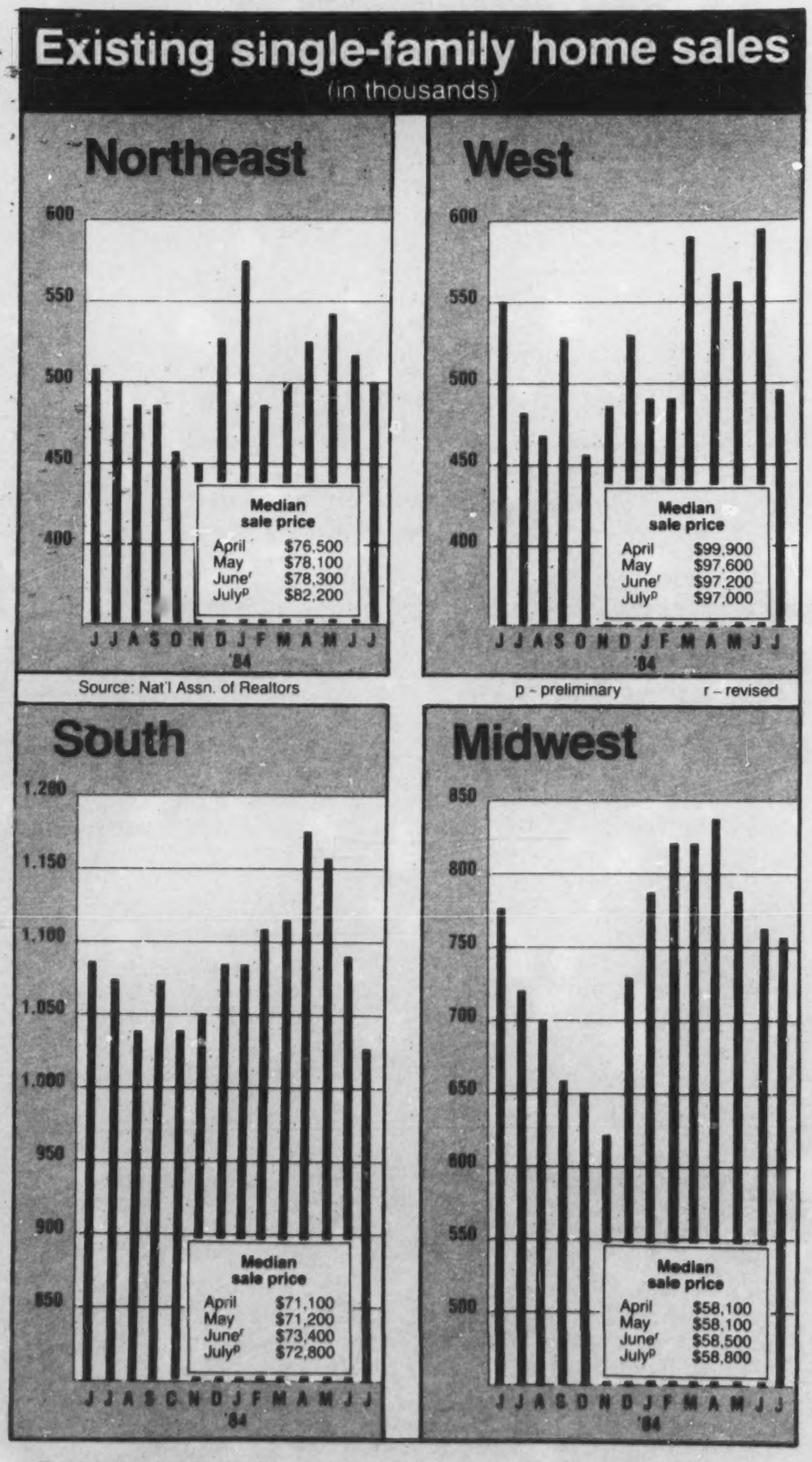
"With three months of declining resale activity data now in, it appears that the home resale recovery passed its peak at a level more than one million units short of the previous recovery peak and without having satisfied the nation's underlying and pent-up demand for housing," said Dr. Jack Carlson, the NAR's chief economist.

Carlson blamed high interest rates for preventing the existing single-family home sales market from recovering.

"Even adjustable-rate mortgages, which carry lower initial interest rates than their fixed-rate counterparts, have not been able to soften the blow of high interest rates sufficiently to allow the housing recovery to continue," he added.

According to the Federal Home Loan Bank Board's lender survey in July, effective initial commitment rates for ARMs with rate caps averaged 12.87%, up from 12.56% in June. ARMs without caps averaged 13.18%, compared with 12.95% the previous month. The average effective commitment rate for fixed-rate loans was 15.20% in July, up from June's 14.97%.

Carlson predicted that due to continuing high interest rates, existing home sales activity will decline modestly in the months ahead.



Existing single-family home sales in July dropped for the third consecutive month to 2.78 million units, seasonally adjusted, according to the National Assn. of Realtors.

The biggest decrease occurred in the West, where the seasonally adjusted annual rate fell 16.9% to 490,000 units. The Northeast experienced a 5.7% decline, and the South saw a 4.6% drop in the annual rate.

The median sale price of an existing single-family home climbed $900 in July to $74,700.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	6/30-1 yr. 6/30-1 mon.	$282,700 24,700	$241,006 18,800	17.3 31.0	$13,900 —	$13,067 —	6.7 —
Forest City Enterprises	7/31-6 mon. 7/31-2nd qtr.	170,737 98,490	164,325 91,473	3.9 7.7	759 2,650	4,758 3,578	(84.0) (25.9)
The Home Depot	7/29-2nd qtr. 7/29-6 mon.	119,000 214,900	66,600 109,600	79.0 96.0	3,800 —	3,400 —	11.8 —
Lowe's	7/31-1 mon.	180,200	168,411	7.0	—	—	—
Payless Cashways	7/31-1 mon.	101,400	89,500	13.0	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

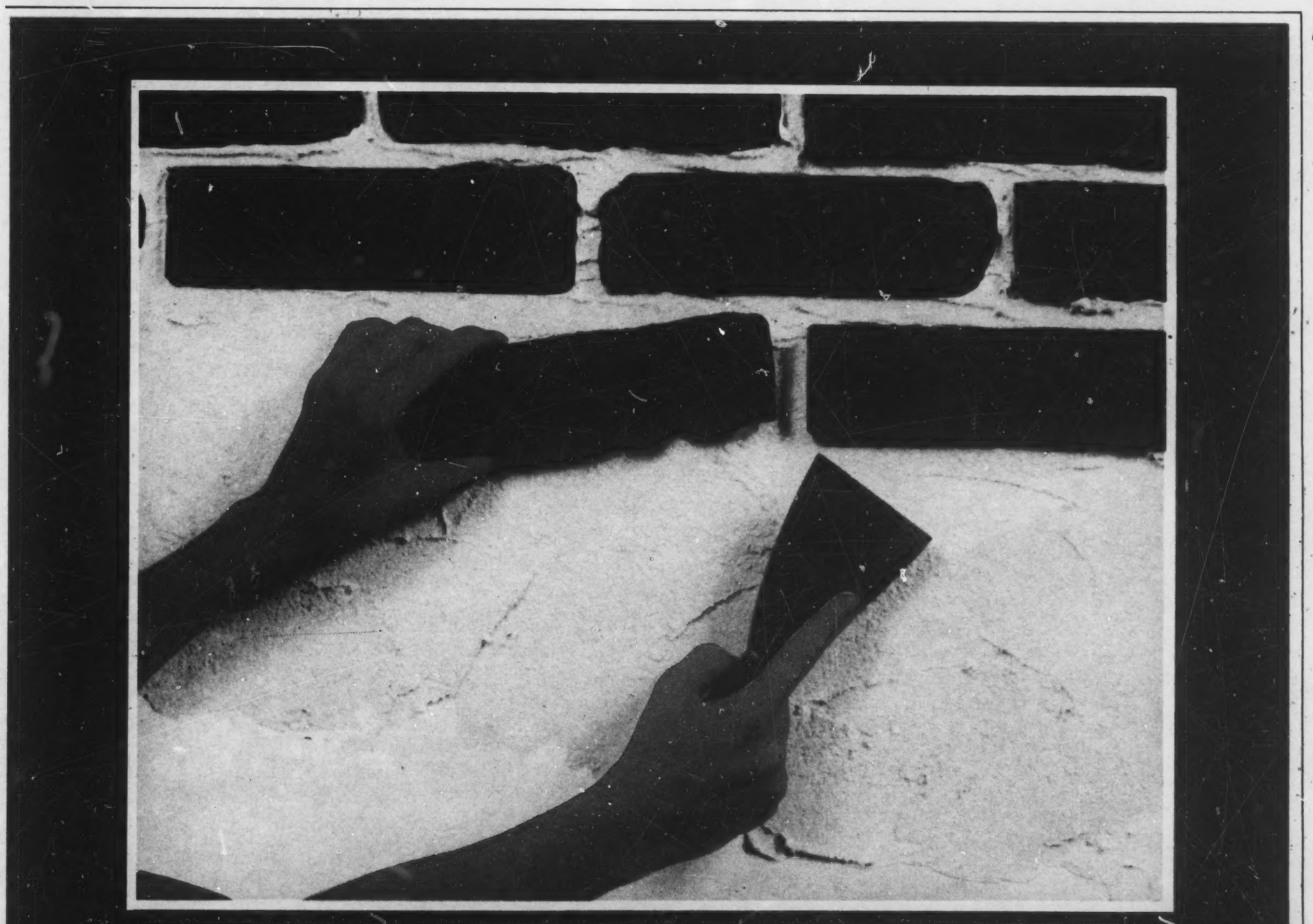
		As of 9/4	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		40⅜	45	32½	13
Edison Bros. Stores (NYSE) [Handyman, Homer's]		35	44¾	33¾	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5	16	4¾	—
Forest City (AMEX)	A	16¾	20⅛	13⅝	—
	B	16¾	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		41⅜	50⅜	36½	11
Home Depot (NYSE)		15⅜	31¾	14	30
Lowe's (NYSE)		19¾	27⅜	16¼	13
Michigan General (AMEX) [Diamond Lumber]		8⅛	14	4⅝	81
Pay 'N Pak (NYSE)		16¼	20⅛	12¾	14
Payless Cashways (NYSE) [Furrow]		17⅛	27½	13½	14
Scotty's (NYSE)		13¾	17	11⅜	10
Southwest Forest Industries (NYSE) [Knox Lumber]		18	22½	12¼	—
Standard Brands Paint (NYSE)		18⅝	24¼	16½	10

Nasdaq—over-the-counter stocks

		As of 9/4	52-week High	52-week Low	P/E Ratio
Color Tile		16	18¼	13⅝	—
Hechinger	A	17¾	24¼	13½	—
	B	18¼	24½	14	—
Homecrafters Warehouse		11½	17½	11	—
National Lumber		5½	13¼	5¼	—
Pay 'n Save		21¾	29¼	14⅜	—

Over-the-counter stocks

	As of 9/4 Bid	As of 9/4 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	21½	25¼	17
Hines Lumber	36	38	41½	25½
Home Centers of America	10⅝	10¾	15½	6⅜
Scotts Seaboard [Scott's]	1⅞	2¼	5	1⅜
Wolohan Lumber	4⅜	4⅝	7½	4



FINANCIAL NEWS

Standard Brands 2nd qtr. sales up 2.5% to $84.8M

TORRANCE, Calif. — Standard Brands Paint Co., operator of 111 retail centers in nine western states, had gains in both sales and earnings for its second quarter ended July 29.

Sales for the second quarter advanced 2.5% to $84.8 million from $82.8 million for the comparable period in fiscal 1983. Net earnings for the quarter were $6.4 million, or 58¢ per share, up 1.2% from net income of $6.3 million, or 57¢ per share, for the like quarter in 1983.

For the first six months of 1984, sales were up 8.1% to $162.6 million and net earnings increased 12.1% to $11 million.

Stuart D. Buchalter, chairman and ceo of Standard Brands, said company results were impacted by a slowdown in sales "due to increased competition in the Phoenix market," where the chain competes against such DIY chains as Payless Cashways, O'Malley, Home Depot and Angels.

Buchalter also said sales were impacted by "the overwhelming success of the summer Olympics, which preoccupied customers in the southern California area."

Pay 'n Save 2nd quarter earnings plummet by 64%

SEATTLE — Pay 'n Save said a second-quarter earnings drop of 64% was in part attributable to a weakness in gross margins at its 69-unit Ernst Home Center division.

Sales were flat in the Ernst division for the three months ended July 28. Companywide sales totaled $342.2 million, a 14% gain over the period a year ago. Earnings were $3.07 million compared with earnings of $8.48 million for the year-earlier period.

Company spokesman Jim Konschuh said Ernst eliminated its high-margin sporting goods department in the second quarter, contributing to lower margins overall in the home center chain. Ernst units are beginning a chainwide revamp program emphasizing big-ticket projects.

Vice chairman Cal Hendricks said the lower earnings were also caused by disappointing same-store sales gains, the closure of six Pay 'n Save drug stores in California and start-up costs associated with two new businesses, Price Savers Membership Warehouse and Northwestern Drug Co.

Palmer Lewis posts 10% earnings decline during second qtr.

AUBURN, Wash. — Palmer G. Lewis reported a 10% decline in earnings to $497,000, or 15¢ per share, on a 20% gain in sales to $40.3 million in the second quarter ended July 25. That compared with year-earlier net income of $554,000, or 20¢ per share, on sales of $33.5 million.

For the six-month period, sales were $69.4 million, up 17% from the same period in 1983, and earnings were $773,000, or 25¢ a share, compared with earnings of $697,000, or 29¢ per share, for the same 1983 period.

Company officials said the second quarter results were in part attributable to a combination of higher interest rates and a downturn in the Alaska economy. During the quarter, the company also experienced inventory losses primarily due to falling commodity prices, especially lumber and plywood.

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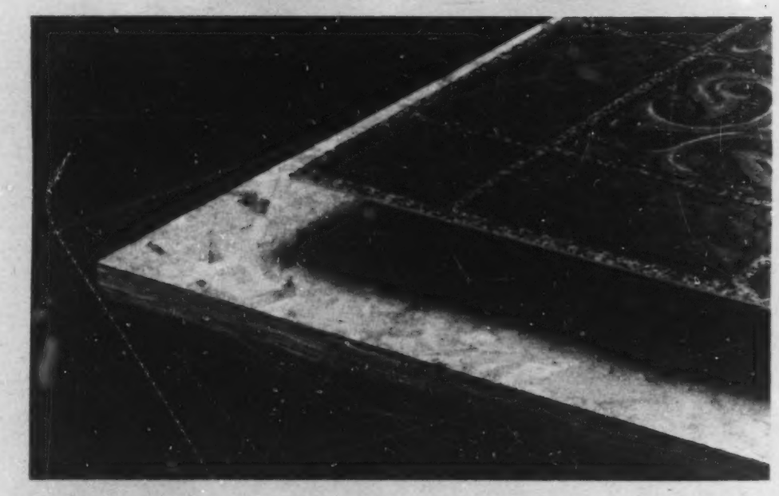

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BLANDEX

LUMBER REPORT

Yellow lights in lumber industry signal caution on several fronts

By Hawk Furman
Special to NHCN

The yellow lights are flashing again in the lumber industry. Retailers will do well by buying only their current needs as there is no sound reason for speculating in building lumber inventories until the green light flashes again.

Some of the indicators pointing to steady or lower prices in lumber include: production level, seasonal demand, new regulation on ARMS, an uncertain interest rate picture, the export market, and the futures market.

The beat goes on with the mills producing themselves into oblivion. Summer shutdowns for vacation and some planned curtailments helped the western s-p-f market have a rally in August that saw the price of 2x4 random length s-p-f go from $129 per thousand board feet to $149 per thousand board feet at the mill. The rally was short lived as production came back on line in force and the price by late August was in the high $120's per thousand board feet. Many mills are producing at levels that far exceed their rated capacity through the use of the newest technology and increased worker productivity. This lowers their unit cost but, at the same time, adds more lumber to the pipeline, which lowers the selling price.

Domestic demand for lumber has been tremendous all year and will continue to be excellent into fall. However, winter is approaching and consumption will fall. The National Assn. of Home Builders is reporting a substantial drop in subdivision traffic. Housing starts dropped 6.6% in July and, more significantly, permits dropped 11.7%. Permits indicate a slowing of home building in the coming months. Many economists are predicting between 1.3 million and 1.5 million housing starts for 1985.

'Unless there is some clear cut action on the deficit, psychologically there cannot be much hope for lower interest rates.'

—Hawk Furman

ARMS—Under pressure

The adjustable rate mortgage has come under increased scrutiny and regulations. The new financially sound adjustable rate mortgage will require prospective buyers to qualify at market rates. Thus, the benefits of the original discounted ARMS are diminished as fewer households will qualify for mortgages, and the Savings & Loans will have to hold more fixed rate mortgages, which they are trying to avoid because of the risk of becoming squeezed by higher rates. The bottom line is that millions of prospective home buyers will be left out of the housing market.

Uncertain interest rates

No one seems to have a clear picture as to where the interest rates are heading. Yet, many feel rates can only go higher after the election.

Gerard Griffin, public relations manager for Louisiana Pacific Corporation said, "It is clear that interest rates will go up after the election, and next year will see massive tax increases for businesses and individuals that will cut demand for wood products. We are in the traditional cyclical swing."

Unless there is some clear cut action on the deficit, psychologically, there cannot be much hope for lower interest rates.

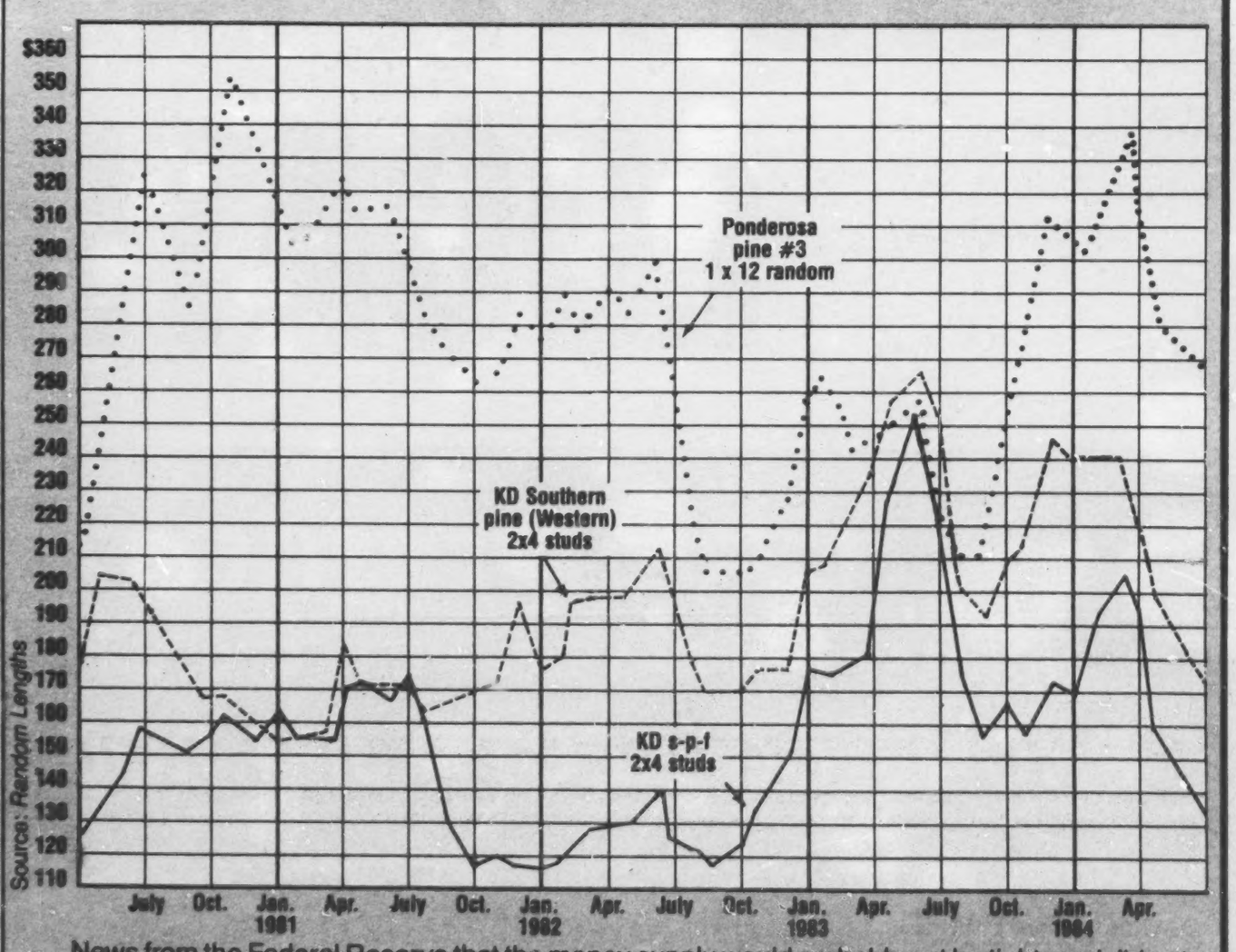
Export

The strong dollar has reduced the export business to nil. The only bright light has been some business from China. China, however, would prefer to buy logs rather than finished products. As long as the dollar stays strong, the North American mills cannot look to the world market to bail them out of their dilemma. Until the dollar weakens, the United States will continue to be the dumping ground for the lumber that would have normally been sold overseas.

Retailers have been very smart this year in their buying habits by keeping inventories low and buying lumber as they need it. There is no need to change this strategy unless we see some signs, such as: substantially lower interest rates, mill shutdowns or curtailments, a better export market, import quotas on Canadian lumber or other major factors that could affect the relationship of supply and demand.

Commodity close-up: Studs & boards

Average monthly mill prices



News from the Federal Reserve that the money supply would probably not be tightened did not come until the end of July. That month's prices, therefore, do not reflect the upward surge that followed the Fed's announcement.

Instead prices were off from June, continuing the downward trend that had been going on since winter. No. 3 ponderosa pine 1 x 12 boards sold for $269 per thousand board feet in July compared with $281 in June. Southern pine (westside) studs were at $175 per thousand board feet, down from $186 in June. And Western s-p-f studs sold for $136 per thousand board feet in July, off $10 from June's average price.

Retailers still rely heavily on name brands—pp. 19-6

National
Home Center News ®

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Wickes surfaces from Chapter 11

Creditors to be repaid Dec. 21 and Jan. 26

By Brad Altman
West Coast Editor

LOS ANGELES — Federal Bankruptcy Judge William J. Lasarow approved Wickes Cos.' reorganization plan late last month, allowing the parent of Builders Emporium and Wickes Lumber to emerge from Chapter 11 proceedings under the bankruptcy law.

The plan settles the company's $1.3 billion debt that remains from before the April 24, 1982, filing. Now, creditors are slated to receive $299 million in cash on Dec. 21. The balance—about $565 million in face amount of notes and warrants as well as newly issued common stock valued at about $400 million—will then be distributed at Wickes' fiscal year end, Jan. 26, 1985.

Until those securities are issued early next year, the bankruptcy court will have some legal jurisdiction over Wickes, but only on routine matters. The confirmation of the plan Sept. 21 at the U.S. District Courthouse here means "it's over," said Wickes' executive vp and cfo, Wilhelm Mallory. "Today is when we emerge from Chapter 11."

Under the finalized reorganization plan, trade creditors of Wickes Lumber and Builders Emporium will be paid for every $1,000 worth of claims against Wickes, $148 in cash, $132 in short-term (two-year) notes, $359 in 12% notes and 85.7 shares of the company's common stock, worth about $3.25 per share.

"The notes are valued at less than par," explained Wickes' counsel Bernard Shapiro, "so the present value is a little less [then face value]. But for every $1,000 claim, creditors are not doing too badly."

In fact, for every $1,000 claim, this group of creditors will receive cash, notes and stock worth $918 based on the notes' face value and the estimated selling price of the stock.

At the hearing, which lasted nearly four hours, documents were placed into the court record that showed how much cash Wickes would have been likely to raise if it liquidated some of its key subsidiaries under Chapter 7 as opposed to the reorganization route it actually took.

One exhibit gave a rare glimpse at what Wickes' executives consider to be the worth of several of their core businesses. It showed that Wickes believes

(Continued on page 82)

Outside shareholders pressure Hines board to sell off company

By John Caulfield
NHCN senior editor

CHICAGO — The management of Edward Hines Lumber Co., reacting to pressure from outside stockholders who claim its stock price does not adequately reflect its worth, has reluctantly put the company on the block for a possible merger or sale of all or part of its assets.

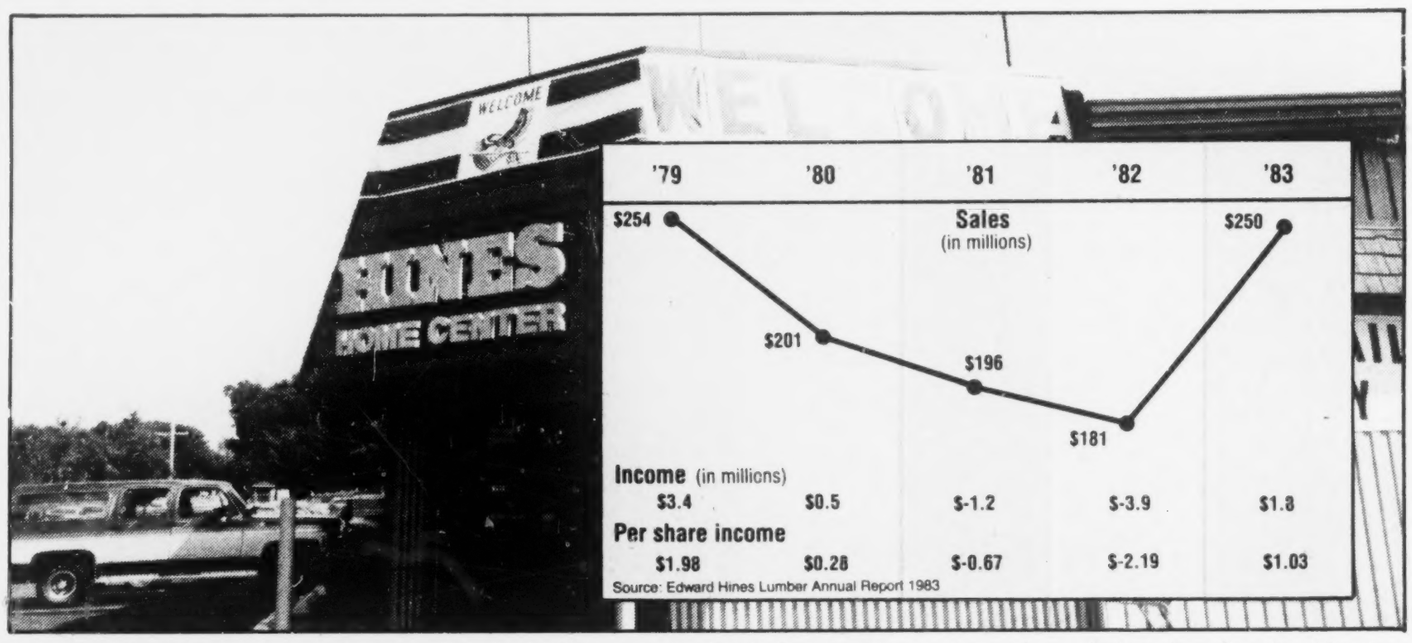
The 92-year-old company, a retailing and wholesaling concern whose 26-unit home center chain produced a third of its $250 million in sales last year, has retained the investment firm Salomon Brothers to assist in this effort, which began on Sept. 13.

"Right now, we're just dipping our toe in the water and exploring all possibilities," said Hines chairman Howell H. Howard. Through Sept. 19 Hines had received no offers, and Howard did not rule out an attempt by the company's management to take one or more of its divisions private.

Howard insisted he was "forced" to put the company on the market in response to a filing made with the Securities and Exchange Commission on June 8 by a group of outside shareholders who collectively own 18.4% of the company's 1.77 million shares of common stock.

In that joint Schedule 13-D filing, the shareholders group—which includes American Securities Corp., Mutual Shares Corp., TBK Partners, and Tweedy Browne Inc., all based in New York—formed a committee for the purpose of "maximiz[ing] the value of its investment in the company and

(Continued on page 82)



Disgruntled Hines shareholders point to this year's 97% first half earnings drop, following five lackluster years, as reasons why the company needs new management. NHCN photo, chart

2 NEW DALLAS UNITS BRING STORE COUNT TO 9

Bowater opens first build-to-suit outlets

PLANO, Tex. — In a move to enlarge its growing market share in the Dallas-Fort Worth metroplex, Bowater Home Centers last month opened two build-to-suit warehouses—the chain's first attempt at building stores from the ground up.

Previously, Bowater has relied upon retrofitting existing second-use facilities such as ex-Woolcos. Its newest units, in the suburban communities of North Richland Hills and Duncanville, are similar-in-design build-to-suits that will serve as prototypes for Bowater's expansion thrust in 1985.

The two stores bring the chainwide store count to nine, of which six units are in the Dallas-Fort Worth area. The others are in Baton Rouge, La., and Mobile, Ala.

Separately, in the first top management change since Bowater was launched in August 1983, James Sewell, vp-operations, resigned to join four-unit Acme Lumber Centers, San Antonio, Tex., as vp-gm of the family-owned chain. Sewell reported that "major philosophical differences" with Bowater president Ralph Dillon led to his departure. Mark Bar, formerly regional manager for The Home Depot in Phoenix, who joined Bowater in June as regional manager for Bowater units outside Texas, was promoted to fill

(Continued on page 82)

B & B targets Cleveland for warehouse venture

By Phillip M. Perry
NHCN associate editor

ST. LOUIS — Now planning its first attack on a major market outside its home city, Eclipse Industries' B & B Home Supply Centers plans to open a 108,000-sq.-ft. warehouse style home center in Cleveland next spring.

Expected to be a prototype for additional stores, the new unit is part of a larger plan by the $30 million company to seek a strong role in Cleveland. B & B is currently looking at two or three additional buildings in that city.

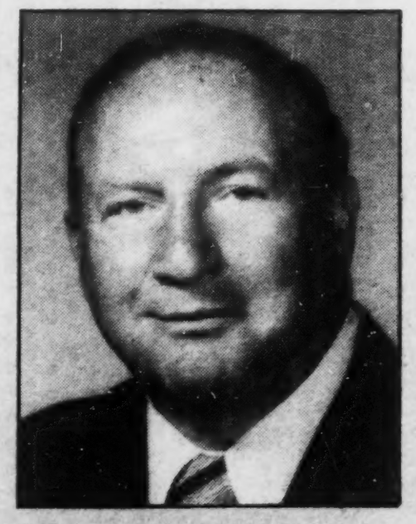
"Cleveland is a great city, and a good market," said Steve Feinstein, president.

Feinstein acknowledged that his company was looking for sites in other cities as well, but offered no comment on whether B & B had formulated a game plan for rolling out stores in major markets.

B&B president Steve Feinstein: "Cleveland's a great city, a good market." NHCN photo

B & B currently operates six units, five of which are in the St. Louis metropolitan area, and one of which is located Clinton, Iowa, a town near Davenport. The chain's stores total some 200,000 sq. ft. of selling area.

In regard to merchandising of the store, Feinstein said that "plans are still being formulated."



***JOHN WALKER**, a driving force behind Lowe's Cos., died last month at the age of 62.* *. . . . . Page 4*

NEWSBREAKS

HELLO, HOW, GOODBY, HOW. Bill Dorf, who left Rickel about six months ago to join HomeOwners Warehouse as vp-gmm, left HOW on Sept. 21 and plans to open his own business, possibly a patio shop.

FIRE DELAYS OPENING. The Oct. 25 debut of HomeOwner's Warehouse's Jacksonville, Fla., store has been postponed by six weeks due to an electrical fire that broke out on the job site last month, damaging the roof and office section of the 80,000-sq.-ft. unit. There was no merchandise or fixtures in the store at the time of the blaze.

INSIDE:

HOUSING STARTS fell in August, the second consecutive monthly decline . . . . . **Page 2**
PAY 'N SAVE BUYOUT FIGHT was avoided when the takeover group sweetened the deal late last month 3
RESIDENTIAL REPAIR & REMODELING figures hit a record high in the second quarter 4

NHCNews Briefs

Industry Update

Grace moves back whse debut

NEW YORK — It now appears that W. R. Grace will not open the first store of its newly formed warehouse company until early 1985.

Nevertheless, Grace continues to assemble its management team for the warehouse division. On Sept. 14, it hired Rudy Hunter as its vp-operations, reporting to the division's president Frank Doczi. Hunter had served in a similar capacity at Grossman's in Braintree, Mass.

Also hired to become the first store's manager was Dick Boucher, who had been the manager of HomeOwner's Warehouse's store in Coconut Creek, Fla.

K mart names new whse markets

TROY, Mich. — Three 80,000-sq.-ft. Builders Square stores will open Oct. 18 in the Chicago Metropolitan Area, marking K mart's inaugural venture into warehouse home center retailing.

BUILDERS SQUARE℠

Later this fall, K mart said it will open one Builders Square in a retrofitted K mart in Tulsa, Okla., and two build-to-suits in Houston. Next year the giant retailer plans as many as six units in the Detroit area and up to six more Builders Square units in the Chicago market.

Separately, shareholders of Home Centers of America were expected to meet Sept. 26 in San Antonio, Tex., to finalize the K mart-HCA merger (*NHCN*, July 16). Approval was expected.

Payless opens largest unit

DALLAS — Payless Cashways debuted its 148th store here late last month, a remodeled dance hall with a 60,000-sq.-ft. showroom, the largest in the chain.

Payless large-store prototype contains 37,500 sq. ft. of selling space, underscoring the significant departure for the chain at this new southeast Dallas location. However, this unit is not a prototype but rather an opportunistic property in an area that Payless officials said could support a new store.

Hechinger offering approved

LANDOVER, Md. — Hechinger has received approval for the offering of convertible subordinated debentures that it intends to use in funding its major seven-market expansion planned for next year (*NHCN*, Sept. 24).

The debentures, which are convertible into the company's Class A stock, are available in units of $1,000 that pay semi-annual dividends at 8½% interest.

The debentures are eventually convertible to stock, at $23.50 per share. Hechinger stock was trading at about 19½ late last month.

After payment of appropriate fees, Hechinger is expected to net $85,279,688 from the offering. The underwriters exercised an option to increase the issue from the $75 million originally proposed.

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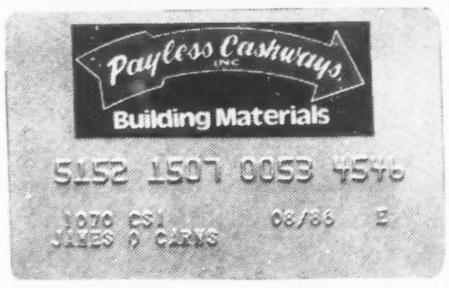
Vol. 10, No. 21 Oct. 8, 1984

Payless establishing credit card to help boost average ticket sales

KANSAS CITY, Mo. — In an attempt to boost average ticket sales and to increase tradesmen and small contractor business, Payless Cashways is establishing its own credit card.

The 148-unit chain headquartered here continues to offer customers the option of using MasterCard or Visa credit cards for purchases. The new private-label "Project Card" gives customers a separate line of credit.

Promotion of the credit card program through newspaper and in-store signs was launched in Dallas Sept. 9. It was expected to be phased into the company's other regions by the end of September, Jim Neustadt, Payless' advertising director, said.



Payless is hoping its new credit card will attract more tradesmen and smaller contractor business. Promotion for the program began Sept. 9.

The first cards are scheduled to be issued to customers this month by Mercantile Trust Co. N.A., St. Louis, the program administrator.

In regions where Payless operates its stores under a different name—Furrow, Lumberjack, Hugh M. Woods, or Somerville—the card logo will be appropriate to the region. Mercantile Trust will stamp the logo over a blank red arrow. The logo will be chosen based on where the person applied for the card.

All five company logos will be

(Continued on page 80)

Housing starts fall for 2nd month; further decline expected this year

WASHINGTON — Housing starts fell for the second consecutive month to a seasonally adjusted rate of 1.53 million units, down 12.8% from July's revised figure of 1.76 million, their lowest point since December 1982 according to the Commerce Department.

Starts are expected to drop still further to between 1.45 million and 1.5 million by the end of the year according to Dean Crist, research economist at the National Assn. of Home Builders. Real GNP fell to 3.6% at the end of the third quarter, indicating a slowing economy.

Building permits, an indicator of future housing activity, fell 3.6% from July's revised figures to a seasonally adjusted rate of 1.5 million units, which is nearly 10% below August 1983. Single family housing permits were down to nearly 12% below last year's figures at 794,000 seasonally adjusted.

Rising interest rates are the main reason for the decline in starts, running at a rate of 14.43% for fixed-rate loans.

"I have always maintained that as rates go up so housing goes down. We are, along with the auto industry, the most credit-sensitive industry in the nation," said Crist.

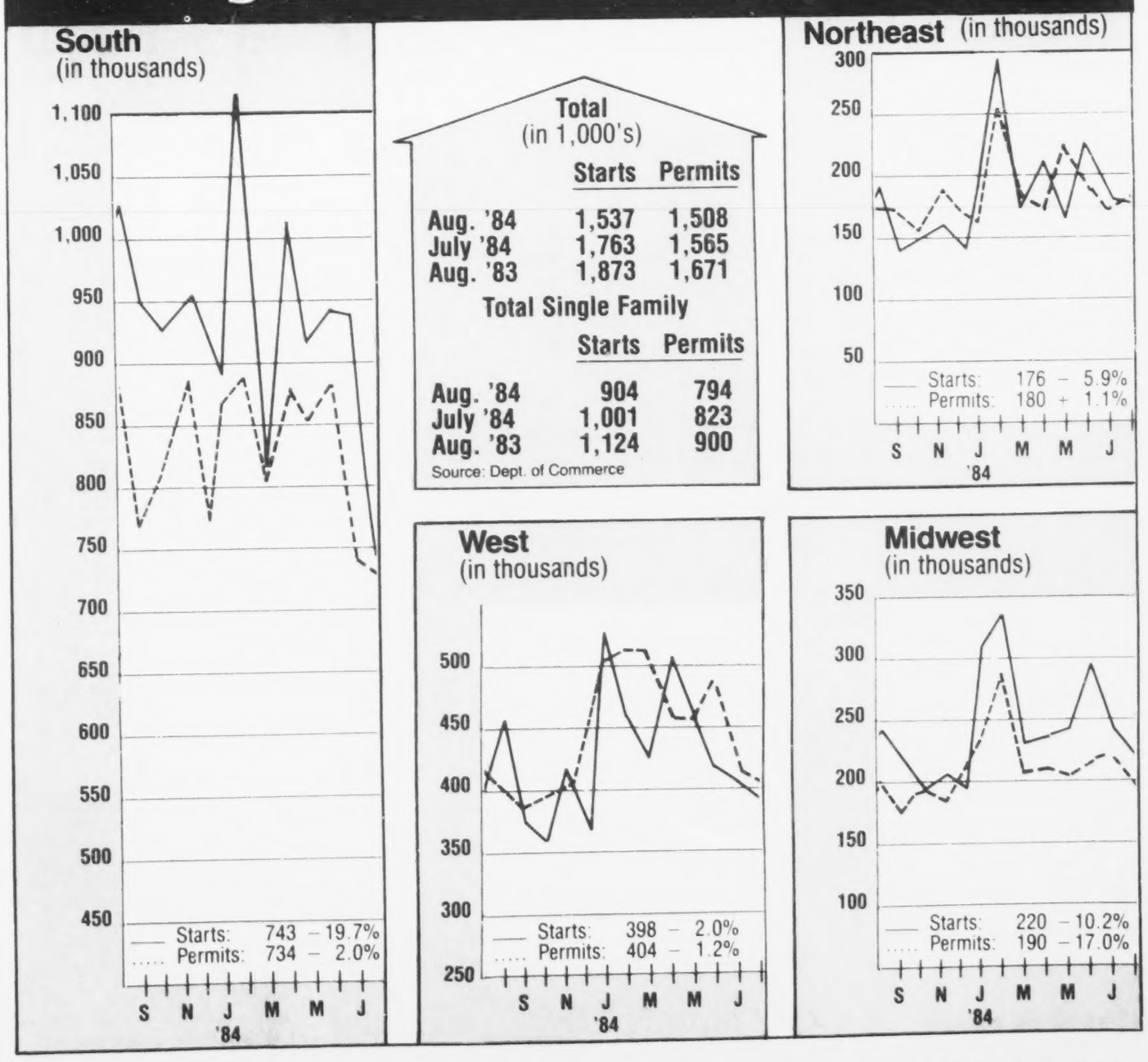
Adjustable rate mortgages (ARM's) which were cushioning the housing market against high interest rates have been rising steadily to a rate of 12.75% in August. So the gap between interest charges for ARM's and fixed-rate loans has narrowed considerably, leaving the home buyer little choice in affordable financing.

All regions showed a decline in starts compared with July. The West dropped by 2%, Northeast by nearly 6%, Midwest by over 10% and the South nearly 20%. The figures for the South are the most worrisome because it is the leading area of residential construction. This year's August figures are a full 20% below last year's. The South contributed 52.5% of all housing starts in July, however, this fell to 48% in August.

Regionally, building permits declined in all but the Northeast which had a small 1.1% increase to 180,000 permits, seasonally adjusted. The South and West remain the leading regions for both housing construction and permits. The South recorded 735,000 permits, a decrease of 2% from July, and the West had 404,000 permits, down 1.2% compared with July's figures.

Affordable financing remains a crucial factor in the housing market. The affordability index, calculated by the National Assn. of Realtors dropped to its lowest level for 10 months in July to 83.3. This means that the average family had only 83.3% of the income needed to qualify for a mortgage covering 80% of a median resale home priced at $74,700.

August home-building activity



Total housing starts slumped to their lowest point since December 1982, dropping 12.8% from July's figures to a seasonally adjusted 1.54 million units. Total building permits were off too, falling 3.6% to a seasonally adjusted rate of 1.5 million. Although all regions recorded declines in starts the greatest, 19.7%, came in the South.

Compared with August 1983 total housing starts were down by nearly 18% and single family starts by 19.6%.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	7/28-2nd qtr. 7/28-6 mos.	$114,395 202,253	$ 87,748 152,494	30.4 32.6	$ 6,692 10,097	$ 5,013 7,459	33.5 35.4
Lowe's	8/31-1 mo.	140,000	116,000	20.7	—	—	—
Payless Cashways	8/25-2nd qtr. 8/25-9 mos.	334,472 843,893	294,486† 714,762†	13.6 18.1	12,906 27,665	12,998 28,969	(0.7) (4.5)
Standard Brands	7/29-2nd qtr. 7/29-6 mos.	84,866 162,585	82,807 150,517	2.5 8.1	6,406 11,030	6,326 9,839	1.3 12.1

*$ in thousands

Source: Company reports

†Year-ago sales are restated to reflect acquisitions of Prime Home Improvement Centers in January and of Somerville Lumber in March on pooling-of-interest basis.

STOCK PRICES

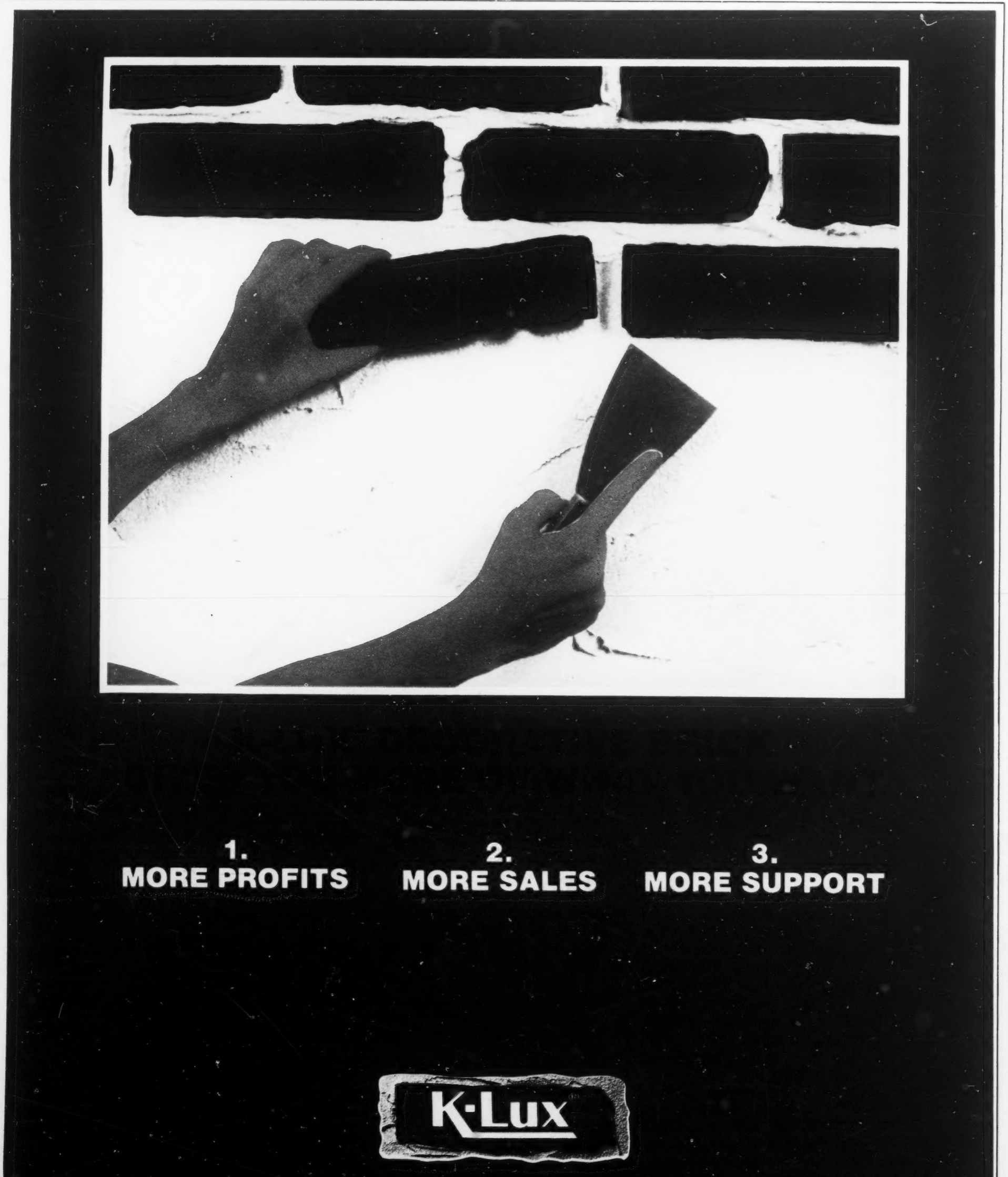
		As of 9/18	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		41	45	32½	13
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34½	43⅜	33¾	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		4⅞	16	4¾	—
Forest City (AMEX)	A	20¼	21	13⅝	—
	B	21½	22¼	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅝	50⅜	36½	11
Home Depot (NYSE)		15⅜	31¾	14	30
Lowe's (NYSE)		21	27⅛	16¼	13
Michigan General (AMEX) [Diamond Lumber]		7¾	14	4⅝	78
Pay 'N Pak (NYSE)		15¾	20	12¾	14
Payless Cashways (NYSE) [Furrow]		16⅞	27½	13½	14
Scotty's (NYSE)		14½	17	11⅜	10
Southwest Forest Industries (NYSE) [Knox Lumber]		17⅝	22½	12¼	—
Standard Brands Paint (NYSE)		19¾	24¼	16½	11

Nasdaq—over-the-counter stocks

		As of 9/18	52-week High	52-week Low	P/E Ratio
Color Tile		16	18¼	13⅝	—
Hechinger	A	19¼	24¼	13½	—
	B	19	24½	14	—
Homecrafters Warehouse		11½	17½	11	—
National Lumber		5½	13¼	5¼	—
Pay 'n Save		23⅛	29¼	14⅜	—

Over-the-counter stocks

	As of 9/18 Bid	As of 9/18 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18¾	—	25¼	17
Hines Lumber	41	42	41½	25½
Home Centers of America	10¾	10⅞	15½	6⅜
Scotts Seaboard [Scott's]	1⅞	2¼	4¾	⅝
Wolohan Lumber	5½	5⅝	7½	4



FINANCIAL NEWS

Hechinger net income up 34% to $6.7M in 2nd qtr.

LANDOVER, Md. — Hechinger Co. enjoyed what company officials said were record sales and earnings in the second quarter and first half of fiscal 1984.

The company, which runs 43 home centers, had increases in its net income of 34% to $6.7 million, or 37¢ per share. These increases compare with a second quarter, 1983 figure that was 67% over that period in 1982, which in turn was 37% higher than the same quarter in 1981.

Sales for its most recent three-month period were $114.4 million, a gain of 30%.

For the 26-week period ending July 28, Hechinger's earnings jumped 35% to $10.1 million, or 55¢ per share, against sales of $202.3 million, an increase of 33% over the first six months of 1983.

Comparable store sales were reported by company officials to be up 15% for the quarter and 18% for the half, "despite the fact that eight existing stores were impacted by the opening of new Hechinger stores in nearby vicinities," a prepared release stated.

Rickel's sales exceed $100M in 2nd quarter

SOUTH PLAINFIELD, N.J. — For the first time in its history, Rickel Home Centers posted a $100 million quarter in the period which closed July 28.

The 37-unit home center division of Supermarkets General, based in Woodbridge, N.J., saw its quarterly revenue jump 26% to $105.4 million. The chain's first-half sales rose an equivalent percentage and totaled $173.5 million. The corporation does not break out its divisions' quarterly earnings.

So far, Rickel has opened one new home center in Warminster, Pa., this year and, according to reports in the company's quarterly statement, expects to open three more units in the remainder of the fiscal year.

The second quarter for Supermarkets General saw its corporate sales jump 8% to $974.8 million, while the company produced strong net income gains of 20% to $15.7 million.

For the six-month period, SGC posted earnings of $19.9 million, which were marginally up from the same period last year, against sales of $1.86 billion, an 8% rise.

Homecrafters expects earnings drop based on preliminary data

BIRMINGHAM, Ala. — As a result of general sales "softness," expenses incurred from new store openings, and real estate and construction problems connected with the opening of other units, Homecrafters Centers' second-quarter earnings were expected to drop 17.7% to $500,000, or 18¢ per share, based on preliminary data.

These *pro forma* earnings came from second-quarter sales totaling $43.4 million, which were up 41.4% over the same period last year, but, according to company chairman Georges Hanzi, were about 6% off plan.

The company racked up preopening expenses of $730,000 during the quarter, as it opened two new warehouse units in both Denver and Nashville. The advertising expenses alone during the three-month period accounted for 6.8% of retail sales.

Nevertheless Hanzi was quoted in a prepared statement as being "optimistic" about the rest of the year.

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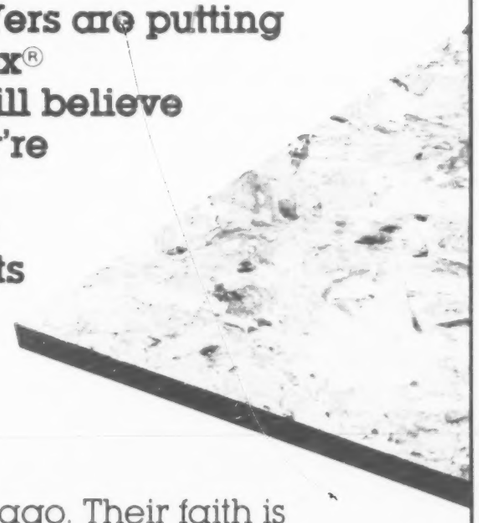

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LUMBER REPORT

Congress set to deal with vexing timber contracts by session end

NATIONAL REPORT — Congress is expected to deal with the question of crippling Forest Industry timber contracts before the end of the current session.

The House has already approved one bill in committee that is currently being considered in the Senate.

The legislation is aimed at timber producing companies threatened by the high costs of harvesting land on Federal land they hold under contract.

The bill, HR 2838, is sponsored by Sen. Mark Hatfield (R-Ore.) and Rep. James Weaver (D-Ore.).

If approved, it would allow companies to "buy out" up to 55% of the volume they held under contract as of Jan. 1, 1982.

A formula based roughly on the size of a company and the dimension of its problem would determine how much would have to be paid per thousand board feet for the privilege of not cutting trees. The land would then return to the Federal Government for resale.

The Forest Service last year estimated that in the four-state region of Oregon, Washington, northern California and northern Idaho, about 384 purchasers hold 2,441 contracts on 16.6 billion board feet of lumber with a contract value of $4.5 billion.

While paying $35 or $40 per thousand board feet not to harvest timber will be expensive, industry supporters of the legislation point out that paying $300-plus, in stompage costs, in some cases, to harvest the timber would be disasterous.

They argue that many companies required to harvest timber at high contract costs would be driven to bankruptcy, which would destabilize the industry.

The problem developed in the late 1970's when bidding practices and expectations of strong inflation caused lumber companies to drive the cost of stumpage on Federal lands to skyrocketing levels.

With inflation level and lumber prices down, many companies are left holding vast supplies of uneconomical timber that would be unprofitable to harvest.

Last year segments the forest products industry argued among themselves about the merit of supporting a program to aid stricken Northwest producers. By mid-1983 a consensus was reached that help was required. Congressional action was not obtained, however, instead an Executive Order was issued.

When President Reagan issued the order in July 1983, allowing five-year extensions on timber contracts, a portion of the forest products industry felt that the measure did not go far enough.

The President's plan was intended to buy more time for troubled timber harvesters. Instead of being forced to immediately begin cutting trees on Federal lands under contract—which would have meant immediate heavy costs because of high stompage prices—companies could spread the harvest of these lands over five years.

The idea behind the plan was this: Forest Product companies could gradually average stumpage bought at more moderate cost with the expensive contracts. Over time lumber prices were expected to climb while simultaneously the averaging process would make stumpage costs reasonable. The result of this formula was supposed to be profitability.

Critics at the time argued that Government projections were based on rising lumber prices. And while a segment of the industry would be helped, a far greater number of companies would be facing bankruptcy.

Paul Ehinger, an industry consultant, noted soon after approval of the President's plan, "When you're trying to figure out how you're going to average $400 stumpage with $200 stumpage and beat the Canadian's $20 stumpage it's pretty tough."

The premise that lumber prices would rise proved incorrect, at least last year. In July 1983, the month of Reagan's executive order, *Random Length's* framing lumber price composite was $237 per thousand board feet. A year later it had dropped to $183.

And forecasters continue to be bearish about the market which, with occasional blips caused by buying surges, remains flat. Mill overproduction and buyer caution are keeping prices depressed. Recent declines in housing starts do not augur well for the future price trend either.

FUTURES

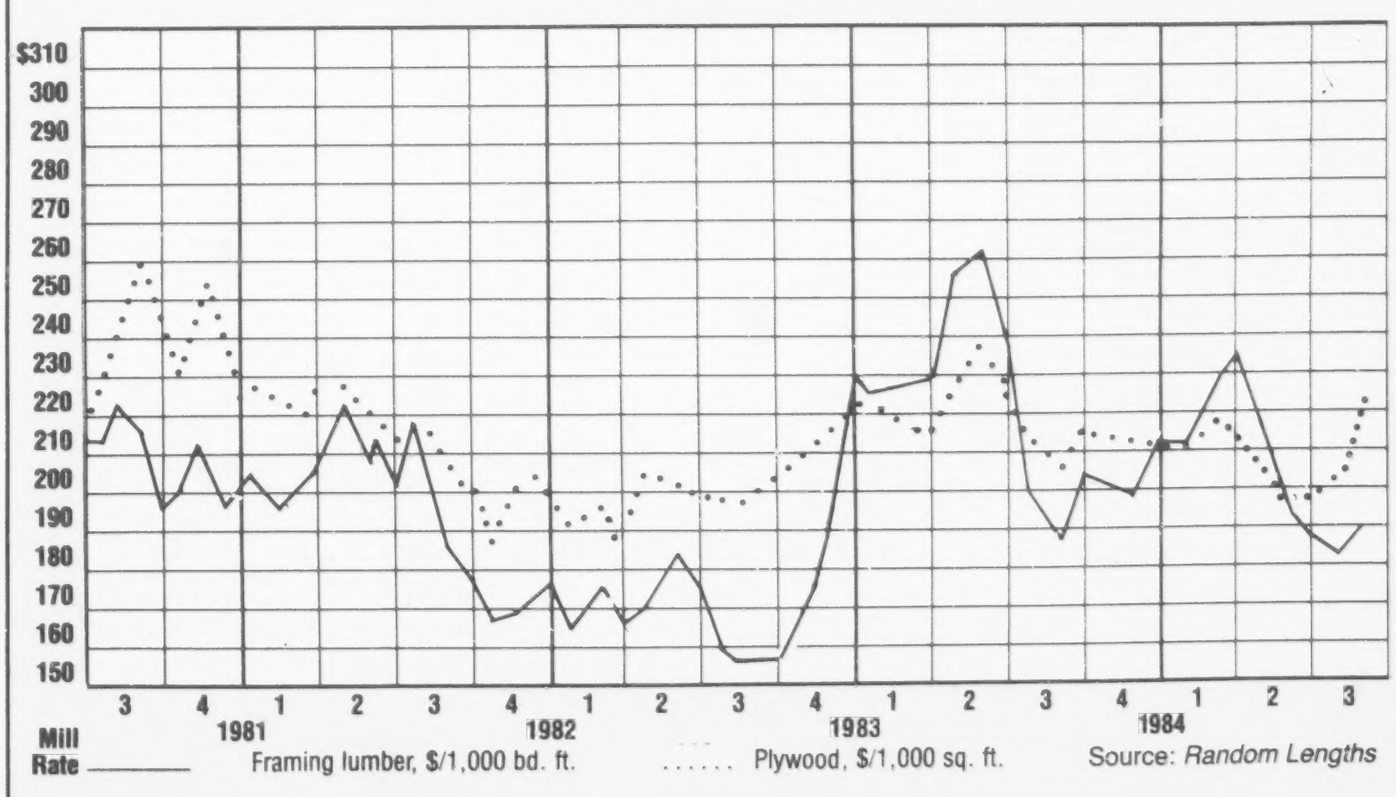
Two weeks ended Sept. 6, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept. '84	125.00	114.60	119.00	120.80	1,042	236.00	114.60
Nov.	132.60	121.50	125.00	127.60	4,142	229.00	121.40
Jan. '85	143.20	132.50	136.90	138.90	1,390	221.30	131.70
March	151.90	141.80	145.90	147.10	742	220.40	139.30
May	160.50	151.00	154.80	155.50	241	225.00	147.00
July	167.50	160.10	164.00	164.50	247	230.50	153.00
Sept.	172.00	165.00	168.10	169.70	175	197.50	157.50

Total Contract Vol. (Through 9/6): 17,041 — Previous Two Weeks: 22,136
Total Open Interest (As of 9/6): 8,355 — Previous Week: 8,125
Cash Price: $127.40 — Previous Week: $127.40 — Year Ago: $154.84

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept 6.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



Source: *Random Lengths*

The lumber composite prices strengthened somewhat in August because of a rally sparked by a Federal Reserve signal in late July that the money supply would not be tightened.

On the optimistic notion that interest rates might therefore decline, the framing lumber composite rose to $190 per thousand board feet from $183 and the plywood composite reached $224 per thousand sq. ft. from $204.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

NHCN's 2nd ANNUAL STUDY OF TOP NAME BRAND PRODUCTS

Dealers sustain steady reliance on name brand

By Kenneth Schept
NHCN executive editor

NATIONAL REPORT — Name brands were added to at least one department at 56% of America's home center stores this year.

That level of interest in national brand products is roughly the same as it was last year when brands were added to at least one department in 58% of the country's stores.

Similarly, an increased emphasis on brands storewide was reported by roughly a quarter of the industry, which is about the same proportion as in 1983.

These results are contained in a new Top Brands Study Update, which was compiled for *National Home Center News* by Leo J. Shapiro and Assoc., Chicago, which last year produced *NHCN*'s first brands study.

This year's study also found that:

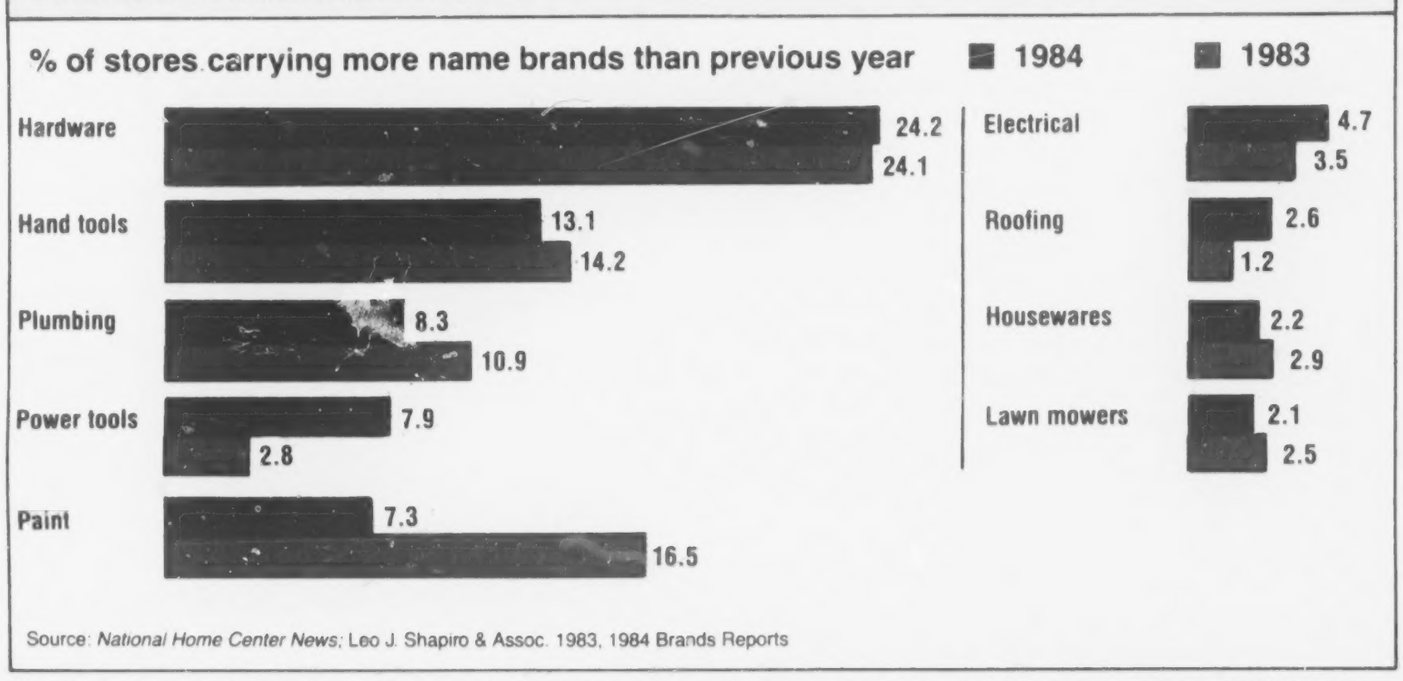
- Hardware remained the category in which most retailers expect to add brand names, but the rest of the lineup changed somewhat.
- Power tools are ranked high by both retailers and consumers in brand importance, but the groups disagree about some other categories.
- How important retailers feel brand is in a particular category is not always consistent with the number of brands they feel need to be offered on their shelves to shoppers.
- Companies that are optimistic about their sales future are more likely to expand the number of brands they carry.
- One in 4 dealers added new private label lines this year.
- Sixty five per cent of home center retailers are planning some category expansion; half are planning consolidation.

This year's study explores the importance of brand in 19 home improvement product categories. Its design allows comparisons between brand importance as viewed by retailers and consumers, when findings of *NHCN*'s Annual Study of Consumer Attitudes (*NHCN*, July 16) are incorporated.

The study also explores the relationship between the importance retailers place on brand and the number of brand name products they feel it necessary to carry in the 19 categories covered.

To round out this picture of the market, the study also examines the impact of private label on the 19 categories. And, the study reveals departments most likely to be expanded or reduced in size during the next 12 months.

Brand interest continues



Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1983, 1984 Brands Reports

Hardware remained the category in which most retailers expect to add brand names. Paint, which ranked second last year, dropped to fifth; only 7% are carrying more national paint brands this year.

Hardware again leads in brands added

Hardware remained the No. 1 department in which the amount of national brand products carried was increased. Again this year, about a quarter of the industry added national brands to its hardware departments.

In contrast, paint, which ranked second last year as the department in which most national brands were added, dropped to fifth place. While 17% of home centers added national brands to their paint assortment in 1983, only 7% did so this year.

Not surprisingly, paint ranked first as a category receiving increased private label attention (see story page 22).

Conversely, roofing in 1983 was ranked 15th as a category in which national brands were added. This year roofing moved up to seventh place as 2.6% of stores added national roofing brands, compared with little more that 1% a year ago. The increase may reflect heightened vendor attention toward establishing brand identification in this commodity.

Power tools are another category in which a significant number of home centers, 8%, added brands last year compared with 1983, when only 3% increased power tool brands.

The increased brand emphasis in that category probably reflects the industry's shift toward higher-end products in response to consumer demand for quality.

The importance of brand names

Mean rating* of brand importance from retailers' and consumers' point of view

Category	Retailer view	Consumer view	Difference	Number of brand names needed in category to have sufficient offering for shopper** One	Two	Three	Four or more
Portable power tools	6.8	6.5	0.3	27.3	47.8	19.4	5.4
Hand tools	6.1	4.9	1.2	32.9	33.0	19.6	14.5
Paint	5.7	5.6	0.1	52.5	33.3	9.0	5.2
Faucets	5.5	5.0	0.5	40.3	47.9	5.7	6.1
Locksets	5.3	4.5	0.8	47.6	40.1	7.8	4.5
Sheet vinyl flooring	5.2	4.4	0.8	55.0	33.7	8.5	2.7
Garage door opener	5.0	5.3	0.3	74.9	23.7	1.1	0.3
Ceiling tile	5.0	3.4	1.6	60.9	31.1	4.8	3.2
Insulation	4.8	3.8	1.0	79.2	15.8	2.5	2.5
Floor tile	4.7	4.5	0.2	66.8	23.3	5.1	4.7
Caulking, sealants	4.6	4.1	0.5	48.8	29.1	11.8	10.2
Kitchen cabinets	4.4	2.9	1.5	48.4	31.9	9.1	10.6

*Mean rating—9 = most imortant, 1 = least important
**% of retailers surveyed

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Power tools are ranked high by both retailers and consumers in brand importance, but dealers place more brand importance on hand tools, ceiling tile and insulation.

Retailers, consumers sometimes disagree

In fact, among the 19 categories studied, retailers selected portable power tools as the category in which brand would most likely be important to consumers.

Portable power tools were ranked second in brand importance by consumers in *NHCN*'s Annual Study of Consumer Attitudes. Consumers ranked stationary power tools first in brand importance. That category was not examined in the Brand Study.

The near agreement between retailer and consumer regarding brand importance as it relates to portable power tools was typical of the correlation in most other categories.

Comparisons between the Brands Study and *NHCN*'s 1984 Annual Study of Consumer Attitutes also reveal general retailer-consumer accord that brand is critical in paint and faucets, but of more moderate importance in some other categories like floor tile and caulking and sealants.

However, there are several categories about which consumers and retailers disagree on the importance of brand. Retailers place much more brand importance on ceiling tile and insulation, for example. Conversely, consumers rarely give brand more importance than retailers, in any category.

Ceiling tile and insulation were ranked by retailers eighth and ninth in brand importance out of a total of 19 categories surveyed. Consumers, however, ranked ceiling tile and insulation 24th and 17th, respectively, in brand importance out of 40 categories.

In these categories, retailers apparently find brand an important way to project the idea of quality to consumers.

(Continued on page 20)

THE 1984 NHCN BRANDS REPORT

Decorator items draw increased interest of home center dealers

Nearly 40% of America's home center retailers are placing greater emphasis on decorator items or products that have a style or fashion component compared to a year ago. And, the degree of this increased emphasis is significant: 15% of the nation's home improvement dealers say they are placing "a lot" more emphasis on decorative products, according to the 1984 *NHCN* Brands Report, conducted by Leo J. Shapiro & Assoc., Chicago.

This heightened interest may reflect the feelings of some retailers that the retail market for decorative products is less competitive than more traditional home center categories; there is no pressure to run these items as loss leaders and the healthy margins the products usually command can be maintained. In addition, many smaller dealers see the decorative category as one in which they can compete effectively with warehouse home improvement centers by offering their shoppers more personalized service than the larger stores.

The upscale client and high percentage of female customers the product category attracts also helps explain retailers' attempts to beef up their profile in decorator items.

Geographically, increased decorative product emphasis is about even throughout the country.

Nearly half the companies that do yearly sales volume in the $1 million-$3 million range have increased their emphasis on decoratives. Meanwhile, in the over $10 million volume group, 42.5% are stressing decorator items more than a year ago and 26.6% of this group are placing "a lot" more emphasis.

Almost 60% of stores located in metro areas with populations of over one million are increasing emphasis in this category, with over 20% of these large metropolitan area outlets saying their decorator emphasis is "a lot" more than a year ago.

Larger sized stores seem to be doing the most to increase their emphasis on decoratives, perhaps in an attempt to take market share away from the smaller outlets, which have traditionally held solid niches in this market. Almost half the stores over 20,000 sq. ft. have upped their emphasis on decor items; 27.6% of these larger stores are placing "a lot" more emphasis on decor products.

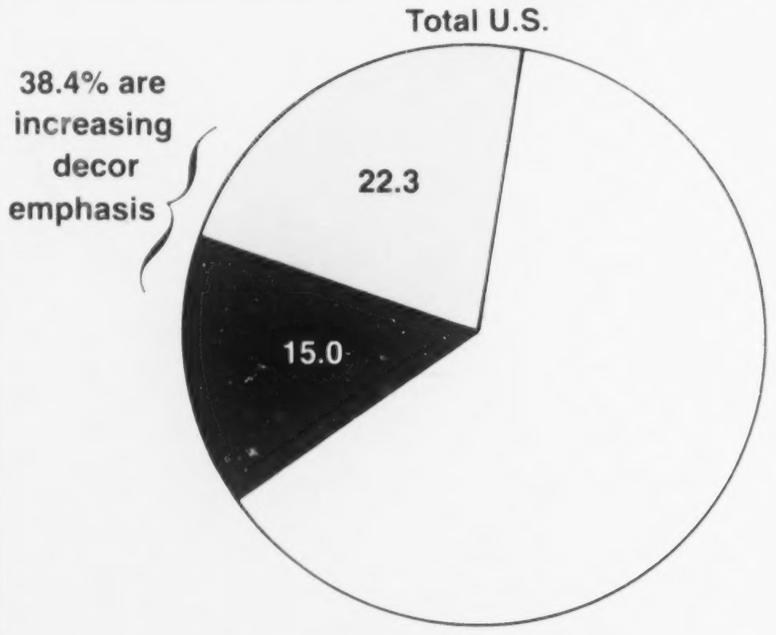
Nationally, building materials is the category that saw the greatest increased emphasis on decorator items: 23.3% of the retailers surveyed said they heightened decorative aspect of this department. Decorative products as a general product category ranked second, followed by plumbing, heating and cooling, kitchen cabinets, window treatments and paint.

Increasing emphasis on decorator items

■ % of home centers placing "a little" more emphasis on decorator items

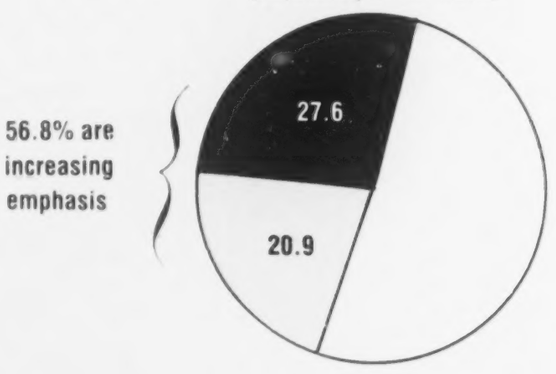
□ % of home centers placing "a lot" more emphasis on decorator items

Total U.S.



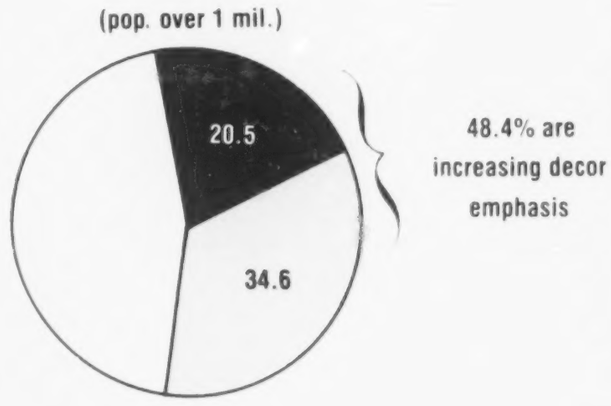
Categories where retailers are placing greater emphasis on decorator items	
Building materials	23.3%
Decorative products	20.3
Plumbing, heating, cooling	14.6
Kitchen cabinets	12.9
Window treatments	12.7
Paint	10.3
Electricals	7.0

In large home centers (20,000 sq. ft. or more)



Categories in large home centers seeing greater decorative emphasis	
Decorative products	33.6%
Electricals	17.0
Window treatments	14.2
Bath vanities	14.2
Plumbing, heating, cooling	10.2
Building materials	8.3
Paint	5.5

In large metro areas (pop. over 1 mil.)



Categories in large metro area stores seeing greater decorative emphasis	
Decorative products	33.6%
Plumbing, heating, cooling	33.6
Bathroom (unelaborated)	24.7
Kitchen cabinets	18.5
Housewares	14.8
Building materials	12.0
Paint	4.9

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Nearly 40% of the nation's home centers are increasing their emphasis on decorator items; large home centers and large metropolitan areas lead the way.

Retailers still rely heavily on name brand products

Brand importance vs. number carried

(Continued from page 19)

Ironically, despite their belief that brand is important in ceiling tile and insulation, retailers overwhelmingly feel that they need to carry only one brand in each category. Almost two-thirds of home center operators say only one brand is necessary in the case of ceiling tile, while about 80% share that view regarding insulation.

Retailers may be trying to avoid confusing customers with multiple brands of products that are essentially commodities. That consumers rank brand less important in these categories may reflect that fact that, in a majority of home centers, only one brand is offered.

The brand array home center retailers feel compelled to offer varies by category. Retailers feel the greatest number of brands is required in wall paneling, caulking and sealants, floor tile and hand tools.

The correlation between the brand importance attached to a category and the number of brands offered is inconsistent. While with ceiling tile and insulation only one brand is usually offered in categories in which brand is considered important, the opposite is true with wall paneling.

Wall paneling ranks only 11th out of 19 in brand importance yet first in the number of brands retailers say they must carry. About 1 in 5 retailers feels that four or more brands are needed.

This need for multiple brands in wall paneling may be driven more by panel manufacturing techniques than consumer buying habits, however. Generally, each vendor produces its products using only one type of substrate. Consequently, a retailer needs multiple sources, or brands, to offer variety.

In general, the need to carry multiple brands seems strongest among companies that are optimistic about their sales gains this year. For example, nationally, the number of wall panel brands retailers feel they need to offer works out to a mean of 2.8. Among the most optimistic companies, this mean increases to 3.7.

Similarly, 2.5 is the mean number of floor tile brands that retailers feel should be carried. It rises to 4.5 brands among the most optimistic companies.

Optimism or pessimism will affect how companies allocate space in the coming months, however. About 70% of America's home center stores plan some category expansion next year regardless of their sales forecast.

However, about 60% of companies expecting conservative sales growth plan some category consolidation, while only 40% of more expansive companies expect cutbacks.

Categories most likely to experience some change in size next year are plumbing, heating and cooling; building materials; hardware; electricals and paint.

Product categories where most space alteration is planned

Categories	% who plan to increase or decrease square footage during next 12 months
Plumbing, heating, cooling	20.4
Building materials	17.7
Hardware	16.1
Electrical	14.6
Paint	13.6
Power tools	10.7
Lumber	9.5
Lawn & garden	8.7
Hand tools	6.8
Tiles, floor, ceiling	6.8

Source: *National Home Center News*; Leo J. Shapiro & Assoc.

The plumbing, heating & cooling category is the most likely to experience some change in size during the next year.

Where space changes are occurring

% of respondents planning to increase or decrease square footage in specific categories during the next 12 months

Increasing floor space		Decreasing floor space	
Plumbing, heating, cooling	15.8	Building materials	7.4
Electrical	12.0	Paint	6.0
Hardware	11.0	Housewares	5.1
Building materials	10.3	Hardware	5.1
Lumber	8.3	Plumbing, heating, cooling	4.6
Paint	7.6	Power tools	4.5
Power tools	6.2	Lawn & garden	3.4
Cabinets/kitchen	5.4	Automotive supplies	3.2
Lawn & garden	5.3	Tiles/floor/ceiling	3.2
Hand tools	4.3	Electrical	2.6

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Retailers expect to do some consolidation in their building materials and paint categories during the coming year.

Category increases planned by store size

Under 10,000 sq. ft.		10-20,000 sq. ft.		Over 20,000 sq. ft.	
Plumbing, heating, cooling	16.5	Plumbing, heating, cooling	16.3	Lawn & garden	17.5
Electrical	12.5	Hardware	12.2	Power tools	16.5
Building materials	11.5	Building materials	11.4	Lumber	15.1
Hardware	11.2	Electrical	9.1	Electrical	13.5

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Category decreases planned by store size

Under 10,000 sq. ft.		10-20,000 sq. ft.		Over 20,000 sq. ft.	
Hardware	7.3	Paint	8.9	Building mat'ls	17.8
Power tools	7.2	Housewares	5.8	Housewares	13.1
Building mat'ls	6.2	Automotive	5.6	Automotive	6.9
Tiles/floor/ceiling	4.6	Plumbing	4.6	Power tools	4.8
Electrical	4.0	Lawn & garden	4.5	Decorative	4.5

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

THE 1984 NHCN BRANDS REPORT

Large dealers fuel upswing in private label use

Private brands most often sold on promotions

By John Caulfield
NHCN senior editor

More than half of America's home center dealers say private labeling is "important" to their selling of 19 designated product categories, according to *National Home Center News'* 1984 Brands Survey.

The study, produced by Leo. J. Shapiro and Associates, also shows that 1 in 4 dealers added new private label lines to their stores last year, and are using those items that are private labeled for promotions.

Private label merchandising, sold in conjunction with nationally advertised brands, varies rather drastically from market to market and product to product. It is strongest in the west, where, 7 out of every 10 dealers west felt private labeling was generally important.

The trend seems strongest among large dealers. Three out of 5 retailers with 10,000-plus-sq.-ft. stores, and those operating $3 million to $10 million companies in large metro markets, touted the significance of private labeling.

The greatest number of all dealers, 1 in 5, identified paint as a category in which private labeling is important in their stores. The private labeling of paint was also alluded to by more than a quarter of those dealers whose companies sales exceed $10 million, and more than a third of the dealers operating units bigger than 20,000 sq. ft. The fragmentation within the retail paint industry seems to make the market more conducive to private labeling of paint than with other products.

Recently, retailers discussed the efficacy of their developing private label programs for the building materials they sell (*NHCN*, Aug. 13), with most concluding that while consumers show no overwhelming preference for one building products brand over another, they do demand that a national brand be available. which told dealers that private labeling of these products is probably impractical, at least at the moment.

Nevertheless, building materials ranked second in the study as the product group in which private labeling was deemed important. This kind of merchandising was particularly popular in this category among dealers in north central states and in nonmetro markets, with companies doing $1 million to $3 million in annual sales, and with dealers whose stores are 20,000 sq. ft. or more.

Third on the private label list in the study was the hand tools category, which is not surprising considering the number of retail chains going over the Orient and elsewhere to buy cheaper hand tools that are sold under their stores' names. While 10% of total dealers said private labeling was important to sell hand tools, 1 in 7 with companies of $10 million or more in sales also thought this way.

That more and more imported hand tools are vending their way into home centers and being sold under a store's logo is undeniable. However, it should be noted that, conversely, dealers named hand tools more often than any other category except portable power tools as one in which brand name merchandising was important. So, it appears unlikely that dealers are planning to feature private label brands over the national tool brand names they sell.

Perhaps the oddest responses about private labeling were in the lawn and garden category. More than 16% of those dealers with stores operating 20,000-sq.-ft. stores or larger in metro markets of one million or more indicated private labeling in this product group was important.

On the other hand, dealers with smaller stores in less competitive markets that run companies with reduced sales volume do not consider lawn and garden private labeling to be important at all. Such a wide disparity between two dealer groups was unusual in the study.

One possible explanation for this could be that, with national brands of fertilizer, chemicals and tools being footballed so regularly, it has become incumbent on dealers in highly competitive markets to develop private label lawn and garden programs to insure their departments' profits. In smaller markets, competition usually is not as severe, and consumers shopping stores here are either adept enough at gardening to know what they want to buy, or are relying more heavily on the advice of a store's salesman than on a brand's reputation in their buying decisions.

Dealers who held definite opinions about the importance of private labeling in their stores were decidedly more noncommittal when asked how their private label brands were priced. Almost half of the surveyed dealers declined to answer this question, for reasons the study did not elaborate on.

Close to 3 out of 10 dealers in the study claimed to use private label brands in all product groups as low-end promotional fare, numbers that rose to more than 1 in 3 retailers with 10,000-20,000-sq.-ft. units in smaller metro markets, and close to 2 out of every 5 in the South and in one million-plus resident markets.

When dealers singled out a specific category in which private labeling is used more frequently than in others, close to half said they would sell that product at the low end, with more than 60% of those dealers in the South, with companies doing $10 million or more in sales and those operating units in large metro markets doing the same.

In the hand tool category, private label promotional activity was fiercest, as more than 80% of all dealers said they use this product group, when sold under their stores' name, as a loss leader item. Nearly 3 out of every 5 dealers were using their private label hardware lines similarly.

On the other hand, more than a fifth of the respondents claimed to sell their private label merchandise as "premium priced products." A quarter or more of those dealers in the north central states and with stores in nonmetro markets sold these items at the high end. And, surprisingly, almost 60% of all dealers identified private label building materials as products that could be sold at the upper end of the price spectrum.

Around 7% of the study's total dealership said private label products were marketable at both the high and low ends, a pricing strategy that was implemented by 1 out of every 5 dealers in the West, and 1 in 7 with stores 20,000 sq. ft. or more.

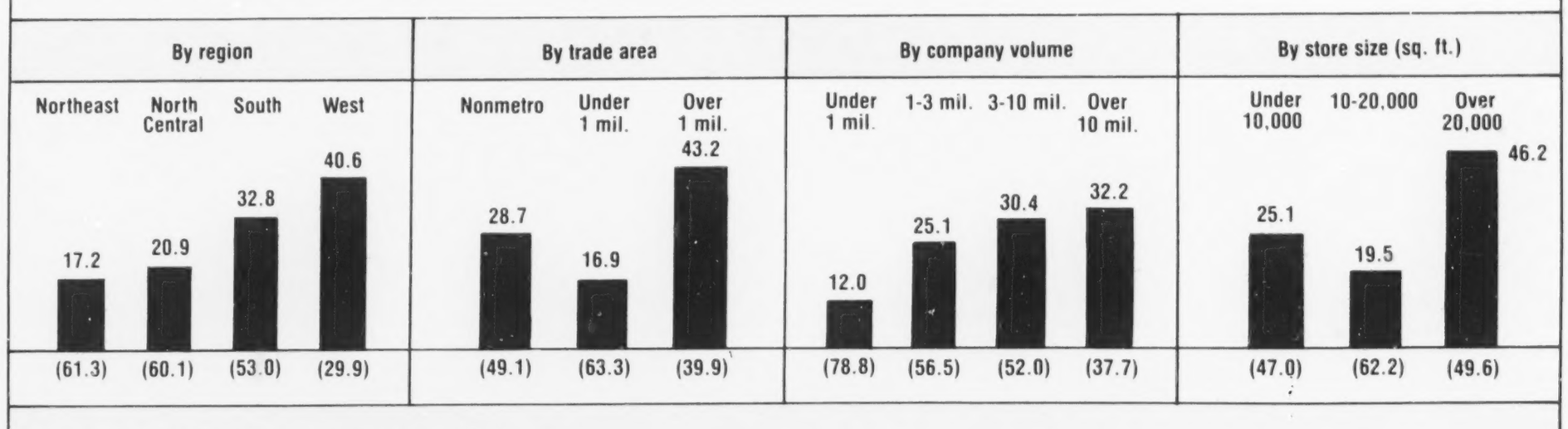
So it appears that, as long as there are retailers trying to dif-

(Continued on page 24)

Interest increasing for private label products

% of respondents who say use of private label is greater than a year ago

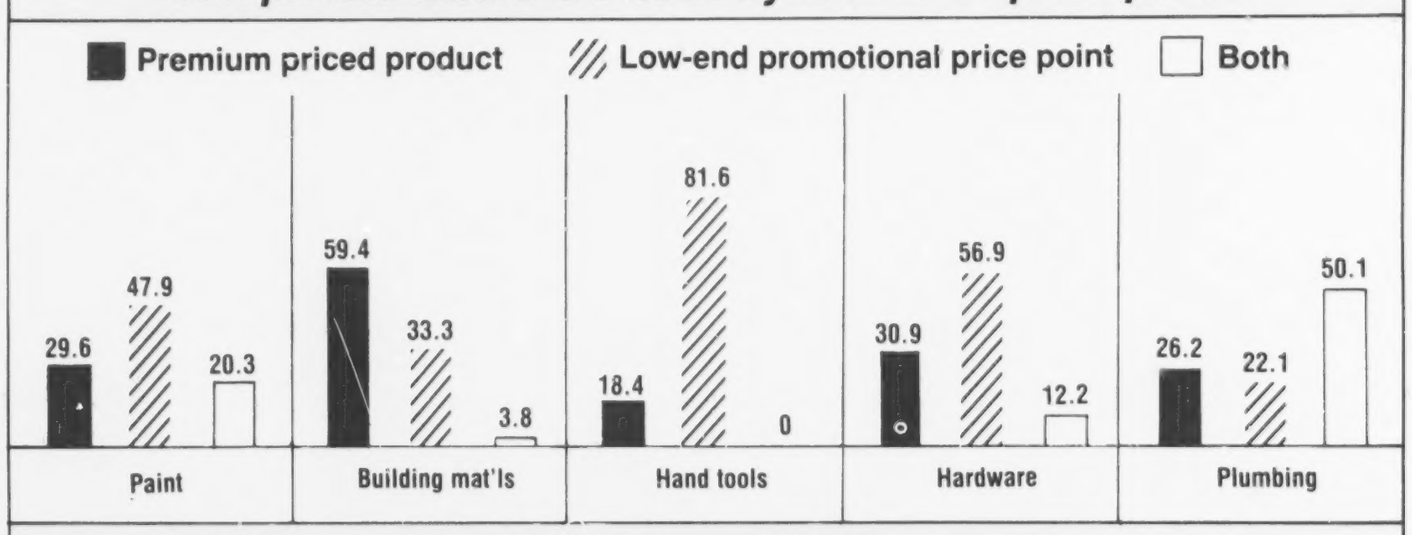
(numbers in parentheses indicate % who say private label use has remained the same as a year ago)



Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Use of private label products is on the rise: The greatest percentages of retailers using more private label than a year ago are located in the West, in large metropolitan trade areas, in big volume companies and at large-sized stores.

How private labels are used by retailers—price points



Numbers are % of retailers who mentioned a department or product category

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

Retailers generally sell private label paint, hand tools and hardware at low-end, promotional price points, while they most often offer private label building materials at premium prices. Private label plumbing is most often sold on both premium and promotion by retailers.

Private labels most important in paint and building mat'ls

Categories	% who feel that private label is important
Paint	20.0
Building materials	13.7
Hand tools	10.0
Hardware	8.6
Plumbing, heating, cooling	6.3
Lawn & garden	4.8
Decorative products	4.1
Electrical	2.0
Lumber	2.0
Major appliances & home entertainment	1.7

Source: *National Home Center News*; Leo J. Shapiro & Assoc. 1984

The greatest number of all dealers said paint, pictured on shelf at a Home Depot store in Phoenix, was a category in which private labeling is important in their stores. Building materials ranked second in the study despite recent major national promotional efforts by several commodity suppliers to create a better brand name awareness for their products.

Categories viewed as traffic/margin generators

Traffic		Margin	
Categories	% of retailers naming category as a traffic generator	Categories	% of retailers naming category as a margin generator
Paint	28.8	Hardware	22.6
Building Materials	26.7	Paint	15.6
Hand tools	18.0	Building materials	10.6
Power tools	13.0	Hand tools	9.2
Tile/ceiling/floor	9.3	Power tools	5.9
Hardware	8.1	Plumbing/heating/cooling	4.7
Plumbing/heating/cooling	5.4	Lumber	4.0
Lumber	4.8	Tile/ceiling/floor	3.8
Cabinets/kitchen	2.7	Cabinets/kitchen	3.1
Electrical	2.6	Electrical	1.7

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Paint and building materials are used by many retailers as both traffic and margin generators. Hand and power tools were also considered effective categories for bringing customers into the store, while retailers viewed hardware as the top category for maintaining solid margins. Some product categories, such as electricals, kitchen cabinets and lumber, were considered to be neither traffic generators nor margin builders by many retailers.

NHCN Brands Report probes name brand importance in the U.S. home center industry

The *National Home Center News* 1984 Brands Report is an investigation into the importance of brand in America's home center industry.

The study was compiled for *NHCN* by Leo J. Shapiro and Assoc., Chicago, and its results are nationally projectable to the industry as represented in the 1983 Home Center Operators and Hardware Chains Directory.

That guide, published by Chain Store Guides, a division of Lebhar-Friedman, which also publishes *NHCN*, lists 12,059 home center stores nationally. The study is based on interviews that cover 1,342 of those outlets.

Last summer 20 to 30 minute interviews were conducted that explored the importance of brand in 19 different categories and also inquired about the number of brands needed in each category, the likelihood that a category would be expanded or contracted and the impact of private label.

The questions were answered by 291 respondents, most of whom were either owners, buyers or merchandise managers of home center companies; 77 were store managers.

This sample was weighted according to the number of stores a respondent represented and the size of his company in sales volume. The sample was designed to reflect the profile of the United States home center industry in the Chain Store Guide.

The four major geographic regions of the country are represented proportionally. In addition the respondent mix was adjusted to represent the appropriate mixture of companies by sales volume, number of stores, size of stores and whether the usual trading area is rural or metropolitan.

Respondents had been with the companies they represented a median of 10 years. Two-thirds were responsible for single-store operations. Almost 20% represented chains of 20 stores or more.

Overall, respondents were responsible for a median of 4.5 stores.

Private labeling

(Continued from page 22)

ferentiate their stores' merchandising programs from the rest of the pack, this debate about private labeling will continue. However, on the study's evidence, it is inconclusive whether the rush toward private labeling has slowed, as more than half of all dealers claimed not to have added any new private label products to their stores over the past 12 months.

More than 3 out of 5 dealers with stores that are 10,000 sq. ft. or larger, or are located in the northeast and north central states, said their private label product mix remained the same over the past year a number that jumped to a remarkable 80% among dealers whose companies generate less than $1 million in sales per year.

About a quarter of the study's surveyed dealers increased the number of private label products they stock, with more than 2 out of every 5 in the west and with stores 20,000 sq. ft. or more operating in larger metro markets placing greater emphasis on private label merchandising.

Slightly more than 10% of all dealers in the study reduced the number of private label brands they carry, with nearly 1 in 5 located in the northeast having dropped some lines bearing their store's name.

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THE 1984 NHCN BRANDS REPORT

Dealers stick to regional favorites in adhesives

While adhesives products can be found on the shelves of virtually all home centers, the number of vendors in the field is so high that no single brand dominates the market.

Home centers responding to a survey recently completed for *National Home Center News* mentioned over two dozen "best-selling" brands currently on their shelves.

Many of these vendors seemed to have carved out niches for themselves either in terms of region, or in terms of size of home center operation, according to the survey that was undertaken by the Chicago research firm, Leo J. Shapiro and Associates.

Some 13% of home center operators, a plurality, named Weldwood as one of their best selling brands.

However, it appeared that Weldwood's popularity varied widely not only by region but also by size of chain. Nearly 1 of 3 home centers in the west mentioned the brand, while fewer than 1 in 25 in the northeastern states did so.

Further, the vendor has become much more popular with large home center operations than with smaller ones, according to the survey. Of chains doing over $10 million annually, almost 1 out of 5 mentioned the brand. For operators doing under $1 million, the rate was less than 1 out of 10.

Two vendors made showings nearly as strong as Weldwood's when their separate brands were added together. More than 1 out of 10 home centers identified Macco, or its Liquid Nails brand name, as a best seller on their shelves. The Macco brand drew responses in particular from the North Central States, while Liquid Nails found its greatest strength in the Western States.

Contech drew responses from about 1 out of 10 home center operators, when mentions of the Contech name and the company's PL 200 and PL 400 paneling adhesives evaluated together. Contech showed particular strength in the northeast while its paneling brand was stronger in the West.

Three other vendors—DAP/Dow Corning, Franklin, and W. W. Henry—seemed to have captured just about as much attention from retailers. About 1 out of every 10 home centers named one of these vendors as offering best-selling brands on their shelves.

While Weldwood had captured a more dominant portion of the larger home center market, DAP, Franklin and Henry seem to have become somewhat more successful with smaller ones. Both Franklin and Henry were mentioned by only 6% of home centers doing over $10 million annually, while those home centers had mentioned Weldwood 21% of the time. On the other hand, more than 1 out of 10 home centers doing under $1 million mentioned DAP and Henry, somewhat higher than the mentions for Weldwood.

DAP, Franklin and Henry also were mentioned as best-selling brands far more often by home center operations of under nine stores, than they were by companies with over 10 stores.

More than 1 out of 20 operators said that other brands, like Elmers and H. B. Fuller, were best sellers for them.

Nearly two dozen additional brands were specified as "best sellers," each by fewer than 1 out of 20 home centers, reflecting the great diversity and fragmentation of the category. Some of these brands were 3M, 3C, General Electric, Macklanburg-Duncan, and Wilhold.

Home center operators seem to feel that the consumer is not particularly "brand conscious" when it comes to adhesives. On a scale of 1 to 9, home center respondents ranked adhesives at 4.2, on the average, in terms of brand importance to consumers. Adhesives ranked 14 out of 19 categories.

On the average, home center respondents stated that only one or two brands of adhesives were necessary to meet the needs of consumers, and fewer than 2% of respondents have increased the number of brands they carry over the past year.

Top adhesive brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Weldwood	8.0%	11.1%	9.9%	20.5%	17.2%	9.2%	12.3%
DAP/DOW	12.4	7.6	10.3	11.1	4.1	9.1	27.9
Franklin	5.3	17.0	14.1	6.0	12.5	9.8	4.1
W. W. Henry	10.8	13.8	12.0	6.0	11.7	9.6	6.2
Elmers	5.7	15.0	8.9	6.0	9.6	8.5	4.2
Macco	4.3	1.0	4.7	14.2	4.3	15.6	0.8
H. B. Fuller	2.8	3.1	21.3	5.1	10.5	4.4	3.3
Contech Brands	1.4	5.7	9.6	9.3	10.2	0.9	3.4

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Adhesives vendors have carved distinct niches of the market: W. W. Henry with low volume companies; Weldwood and Macco with high volume operations; Weldwood and Henry at smaller sized outlets; Macco with midsized units, and DAP is named as best selling among a plurality of operators of large home center stores.

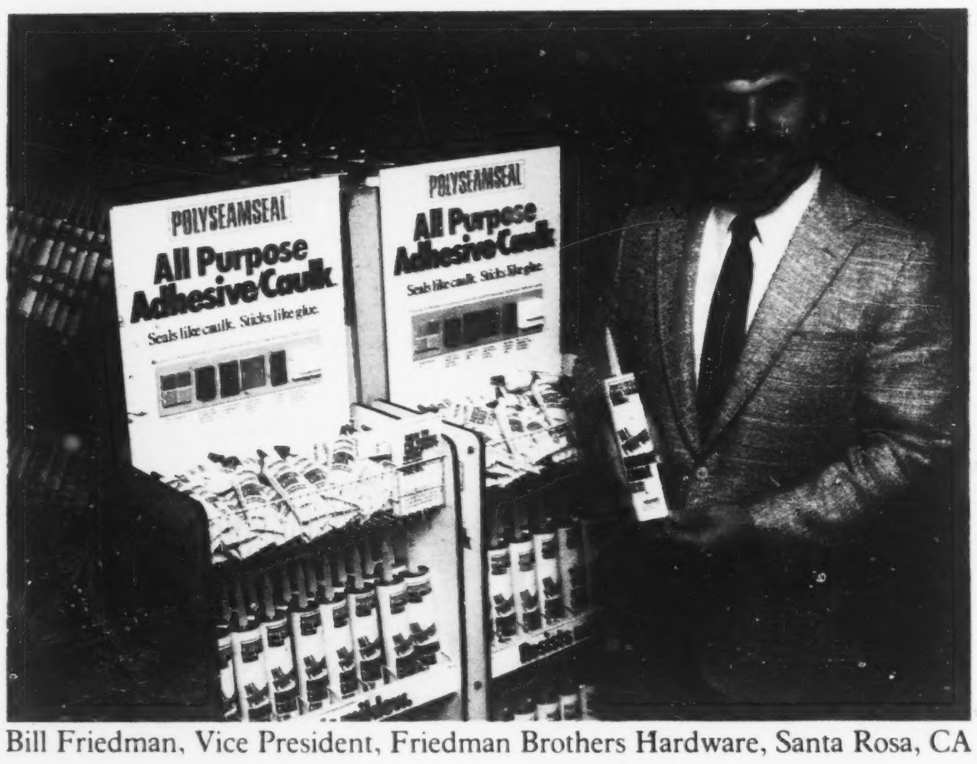
Retailer brand preference:

Adhesives

Brand	% of retailers naming brand as among their best selling
Weldwood	13.2%
DAP/DOW	10.5
Franklin	10.3
W. W. Henry	9.6
Elmers (Bordon)	8.2
Macco	7.5
H. B. Fuller	6.9
Contech Brands	6.1
Liquid Nails	4.7
PL200/400	4.7
3M Corp.	3.9
3C	2.5
General Electric	2.4

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

No one brand dominates adhesives; Weldwood, DAP, Franklin, W. W. Henry, Macco (which also makes Liquid Nails) and Contech (which also makes PL 200 and PL 400) share about equal popularity in the market.



Bill Friedman, Vice President, Friedman Brothers Hardware, Santa Rosa, CA

"Polyseamseal charged up our sales people. "And sales took off."

"Our Polyseamseal sales keep growing and growing. The success starts with a great product which you are confident in selling. Combine that with a company that stands behind the product...strong merchandising, co-op, promos and training...you've got a winner.

"Our sales people get revved up about selling Polyseamseal—it's a product they can sell to both the do-it-yourselfer and contractors. Polyseamseal delivers what we say it will. It keeps our customers coming back."

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The Polyseamseal Strategy can work for you.

We guarantee it.

If Polyseamseal doesn't increase your caulk profits, we'll take back your unsold Polyseamseal inventory and display.

Call Paul Collins at 203-677-7721 for details. Or send in the coupon. You have nothing to lose... and big profits to gain.

Yes! I want to make more money from caulk.

Tell me more about the Polyseamseal Challenge, including the free merchandising gondola.
Return this coupon to "Challenge," Darworth Company, Box K, Avon, CT 06001.

Name (Please Print)

Title

Company

Address

City State Zip

Phone

Darworth company
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Polyseamseal® All Purpose Adhesive Caulk

THE 1984 NHCN BRANDS REPORT

Brand identity all important to sell power tools

Brand identity is more important to consumers buying portable power tools than any of the other 18 product categories ranked by dealers responding to this year's *NHCN* Brands Study.

And it appears consumers are making a connection between respective brands and their quality, as data in the study corroborates claims made elsewhere by dealers that the industry is shifting toward stocking higher-end power equipment. Several brands falling into the upper end of the price scale were prominently named as best sellers by the survey's respondents.

These findings were further elucidated by the low ranking private labeling received as a marketing tool for dealers selling power tools. The inference to be drawn from the study is that consumers are buying those power tools that they recognize from dealer and manufacturer advertising, and which have strong quality reputations.

It is interesting, then, to find Black & Decker named as the best seller by the greatest percentage of dealers in the study. More than half of all retailers participating in the study said B&D's power tools were among the best sellers in their stores, a fact that takes on new meaning when one considers how much emphasis the Towson, Md.-based company has put behind its higher-end, better-quality construction line of power tools over the past year.

While it is still known for its lower-end drills and circular saws that can be bought from almost any discounter, B&D as a brand has become more expansive because of its wider range of quality items. And this marketing approach has apparently attracted some of the big names in the home center industry: more than 3 out of every 5 dealers in the study with stores of 20000 sq. ft. or more, operating 10-plus unit chains in large metro markets that do more than $10 million in annual sales identified B&D as a best seller in their units.

Dealers in general, and the larger dealers in particular, do not seem adverse to stocking a number of power tool lines in their stores, which explains why an almost equal number of those naming Black & Decker as a best-selling brand also identified Skil Corp.

Skil, which plans to upgrade 83% of its entire product line by 1986, and which introduced 22 new products at this year's Hardware Show, has always had a strong quality reputation with dealers. And among those retailers polled in the survey, the Chicago-based supplier's power tools were especially popular in the West, where more than 7 of 10 dealers named Skil as a best seller, and in non-metro markets, where more than 60% identified its line as producing strong sales. (By comparison, almost 70% of those dealers in markets of one million or more people said B&D's products sold well in their stores.)

The quality-brand name connection continues throughout the study's listing of best-selling power tool brands. Makita, the high-end tool line made in Japan and distributed out of Cerritos, Calif., ranked third with close to one-fifth of all dealers, and nearly two-fifths of those in the northeast, saying it was a best-selling brand.

Even the premium and expensive professional products manufactured by Milwaukee Tool Co. were named by more than 5% of the dealers in the study.

That the market is ripe for dealers selling higher-ticket, better quality power tools can be seen by the number of retailers who, despite being asked specifically about portable power equipment, identified two brands of stationary tools as best sellers in their stores.

The stationary products

(Continued on page 35)

Top portable power tools brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Black & Decker	52.1%	49.9%	56.2%	62.3%	53.1%	54.1%	63.0%
Skil	56.0	54.0	56.7	49.7	57.5	51.9	42.4
Makita	14.8	17.8	10.2	19.9	20.6	18.5	18.8
Rockwell	6.4	9.8	6.8	1.4	8.0	1.4	5.9

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Skil power tools were most popular among lower volume operations while Black & Decker was named as best selling by more high volume companies; smaller sized stores also preferred Skil while larger outlets opted for B&D.

Retailer brand preference:

Portable power tools

Brand	% of retailers naming brand as among their best selling
Black & Decker	54.7%
Skil	52.3
Makita	19.8
Rockwell Int'l	5.9
Milwaukee Tools	5.1
Stanley	3.6
Porter Cable	3.0

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

High price/quality brand name equipment by Black & Decker, Skil and Makita received the greatest number of responses from dealers as among their best selling.

GOOD HOSE DOESN'T JUST HAPPEN!
It's one thing to put a label on a hose that implies quality. It's another thing to *make* a good hose. With Colorite, quality and performance satisfaction is built into every hose. And it's not there by chance.
Starting with the quality raw materials, every step of our high-tech manufacturing is controlled and constantly inspected, both in our East Coast and West Coast plants. The end results are great-looking hose for you to display and sell.
For quality and performance as promised, rely on the integrity of the world's largest manufacturer devoted exclusively to garden hose. Rely on Colorite—we make it happen!
Exclusive HozeGard® Protective Collar.
Abrasion-resistant heavy cover coat.
Full flow inside diameter core.
Kink-resistant heavy-wall, 4-ply construction.
Extra burst-resistant heavy-duty tire cord reinforcement.
Positive connection with heavy-duty octagonal couplings.
Exclusive formulation-flexible to 0°F.
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Colorite Plastics Company, Ridgefield, New Jersey 07657 and Sparks, Nevada 89431

THE 1984 NHCN BRANDS REPORT

O-C blankets the industry in brand awareness

One name brand, Owens Corning Fiberglas continues to dominate the home center insulation market. Out of 86% of American home centers offering name brand insulation, nearly 62% indicated that Owens Corning was among their best-selling brands, according to the latest *National Home Center News* study.

Owens Corning, like the insulation category itself, showed blanket penetration in all four regions, with some variations in popularity. It dominated every type of home center regardless of sales volume, store size or whether it was an independent or part of a chain.

Its nearest competitors CertainTeed and Johns-Manville remain far behind in brand awareness. CertainTeed was mentioned in just over one-fifth of all home centers as a top selling brand and Johns-Manville was named by one-sixth.

These three companies—Owens Corning, CertainTeed and Johns-Manville—dominated retailers' responses. All three are manufacturers of roll insulation. However, makers of other types of insulation were also mentioned.

Celotex, which makes rigid board insulation and roof insulation was mentioned by 1% of retailers. Dow Chemical, another manufacturer of rigid board insulation was named by just under 1%.

Probably because Georgia-Pacific, a distributor of insulation and not a manufacturer, has such a strong brand identification through its advertising campaigns, 1.3% of retailers named it as being among their strongest selling insulation brands.

Retailers believe that brand is important to consumers in buying insulation. Those retailers in metropolitan areas and with companies with a volume of over $10 million in sales stressed the consumers' brand awareness still further.

However, consumers themselves, responding to the *National Home Center News'* Consumer Attitude Survey last spring gave less weight to the importance of brand names in buying insulation. Perhaps manufacturers have been more successful in convincing retailers about the importance of brand and less persuasive in swaying consumers.

Despite the retailers' view of brand importance, they see no need to carry more than one brand of insulation, a commodity.

This, therefore, means that the three leading insulation makers have to compete for that one spot. Owens Corning's massive expenditure on advertising (see *NHCN*, Aug. 13) encourages retailers to stock its name brand. The manufacturers, generally, have been stressing new, ease-of-handling innovations to distinguish their products.

Statistically, the study showed that insulation was strongest in the Northeast where it was carried by over 95% of all home centers. Owens Corning commanded the largest awareness, being mentioned by nearly three-quarters of the home centers as being among their best-selling brands.

The West was the only region where Owens Corning was offered significant competition. Here its brand penetration dropped to 48% whereas CertainTeed was named by one-third of the retailers and Johns-Manville, which is based in the region in Denver, was named by 27% of the retailers.

Although CertainTeed was the second most important name brand overall, Johns-Manville scored higher brand awareness from one-store independent home centers. Here it was mentioned by 21% of retailers and was second only to Owens Corning, which was mentioned by two-thirds of the respondents. However, in one-third of the nation's stores of 20,000 sq. ft. or more, Johns-Manville is also considered a best-selling brand.

CertainTeed achieved its highest scores among retailers of larger chains, although it fared less well in the largest stores.

Top insulation brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Owens-Corning	55.2%	62.9%	61.4%	72.8%	64.6%	59.4%	62.6%
CertainTeed	10.1	19.0	29.2	26.6	27.5	22.8	11.9
Johns-Manville	29.4	19.1	11.7	14.4	13.1	14.1	29.1

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

While Owens-Corning has a huge lead in brand preference in the insulation category, CertainTeed has strength among higher volume companies and Johns-Manville stands tall among retailers doing less than $1 million in yearly sales.

Retailer brand preference:

Insulation

Brand	% of retailers naming brand as among their best selling
Owens-Corning	61.9%
CertainTeed	22.8
Johns-Manville	16.5
Georgia-Pacific	1.3
Celotex	1.0
Dow Chemical	0.9

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

There's a marked fall-off in retailers' brand name preference after the top three insulation vendors.

Power tools

(Continued from page 31)

made by Rockwell International out of Pittsburgh ranked a surprisingly high fourth among all brands named as best-selling power tools by dealers, three notches higher than the portable power tool line Rockwell sold off two years ago that is now being distributed under the name Porter Cable.

All this activity at the high end among retailers might come as a surprise to some in the industry, particularly when viewed against power tools being the fourth-ranked traffic generating product category in the study. One can only conclude that as consumers continue to come into home centers looking for power tools, they are also demanding that what stores carry is of better quality than in the past.

And, when one assesses that power tools, as a category, ranked fifth among margin-generating product groups in the study, it is easier to understand the move by retailers toward higher-end, less promotional power tool lines.

Crime pays.

So does crime prevention.

As one of America's leading manufacturers of security systems, we should know. Even in the best of times people are concerned for the safety of their families and property. They want reliable, affordable protection — and you can sell it to them.

Most people think home security means spending thousands of dollars or days of wiring to put in a traditional system with window foil and a big red bell. Suppose you could sell them a system for under $200 that installs in an hour or two with no special knowledge that does all the same things. Suppose you could advertise that it's UL listed as a burglary protection device and qualifies for discounts on homeowner's and renter's insurance. Suppose the system was portable and could move with young families as they grow. You don't have to suppose — you can sell a system in your store today that does all those things — the PERIM-A-TRON by Universal.

Described by one dealer as "the first popular-priced alarm system that isn't a toy", it has many features found only on professionally-installed systems costing much more. It sounds the alarm **before** the intruder even gets into your house, yet allows the family complete freedom of movement **within** the house while they're being protected. It's more easily installed than a garage door opener and a whole lot more necessary. And it can be part of a complete home security program in your store.

If you sell locks, outdoor lighting, fire safety products and door openers, then you should sell PERIM-A-TRON. It's a major ticket sale that's too lucrative to ignore. Your customers want security — with PERIM-A-TRON from Universal, you can sell it to them. To get started call Scott Edwards, VP Sales 301-363-3000.

UNIVERSAL SMOKE SIGNAL
Battery-operated smoke detector

Perim-A-Tron
World's Most Advanced Home Alarm System
Model PT-1100
Made in U.S.A. by Universal Security Instruments, Inc.
Perim-A-Tron™ Wireless Alarm Receiver with Exclusive Computer Flexibility
Outdoor Alarm Horn Speaker
Universal Alarm Transmitters
Home and family protection

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10324 SOUTH DOLFIELD ROAD ■ OWINGS MILLS, MARYLAND 21117 ■ U.S.A.
TELEPHONE: (301) 363-3000 ■ CABLE: "UNIVERSAL" ■ TELEX: 8-7675

THE 1984 NHCN BRANDS REPORT

Paint promos, private labels remain important

The retail paint market, despite the strengths of two of its leading suppliers, remains highly fragmented, a condition that is partially responsible for paint being used by dealers more frequently than any other product category as a promotional item to increase a store's customer traffic.

And, as dealers look for new ways to squeeze paint sales out of their departments by differentiating their programs from their competitors, it appears the implementation of private label merchandising, especially among larger chains with big stores, is becoming more prevalent.

Dealers responding to this year's *NHCN* Brands Study, produced by Leo J. Shapiro and Assoc., Chicago, ranked paint as the No. 1 category in which private label brands are important, with 1 out of every 5 retailers attesting to its significance. And, in more competitive markets or among dealers with larger stores, the development of a private label for paint appears to become more likely.

For example, in metro markets of over one million population, nearly 1 in 3 dealers said private labeling of paint was "important." Two out of 5 whose stores are 20,000 sq. ft. or more felt the same way, as did nearly a quarter of those whose companies' annual sales exceed $10 million.

Dealers' attitudes about selling branded paint in general have also shifted. In last year's study, 16.5% of all respondents said they had increased the number of national brands of paint in their stores over the preceding 12 months; this year, that percentage was about half the 1983 total, or 7.3% who expanded their branded paint lines.

Brand as an element of paint marketing is still deemed significant among dealers in the study, as the category ranked third behind portable power tools and hand tools in brand importance.

However, in terms of how many brands dealers felt were necessary to meet customer demand, paint ranked a relatively low 12th out of 19 categories, perhaps indicating that dealers are going with only one, maybe two lines they feel can produce the greatest sales at the best margins.

Paint is viewed by dealers in the survey as their leading customer traffic builder, with close to 30% of all respondents using paint to draw customers, more than any other category. In companies with $10-million-plus sales, these figures increase to about 33%; in the South and West, more than 1 in 3 dealers use paint as a customer draw, and among retailers whose stores are 20,000 sq. ft. or more, 2 out of every 5 dealers promote paint to lure in more clients.

The amount of promotion and price slashing dealers engage in when selling paint explains, to some degree, the industry's fragmentation (it is estimated there are more than 1,000 paint companies in the United States) and why dealers are turning to lower cost, potentially higher margin private label brands in their stores.

However, because competition among paint dealers is so fierce, particularly when one takes into account Sears' assiduous promotion of its Weatherbeater paint line, private labeling will take a dealer just so far, and it is virtually impossible for home centers to be without at least one well-known, nationally advertised paint brand in their departments.

Among those dealers surveyed, close to 15% identified the Olympic brands as the best-selling paint (and, in this case, stain) in their stores, followed closely (12%) by Glidden Coatings and Resins. Each company conducts extensive national television campaigns, and has, in fact, stepped up their promotions this year. (Glidden to further establish in consumers' minds its relationship with K mart, and Olympic to push the Lucite paint line its parent, Clorox, purchased from Du Pont early in 1983.)

Olympic's greatest strengths appear to be in the Northeast, and with companies operating two to nine stores that range from 10,000 to 20,000 sq. ft. Glidden, based in Cleveland, received its highest percentage response from dealers in the South and from companies doing over $10 million in volume,

(Continued on page 38)

Top paint brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Olympic	2.8%	16.9%	13.5%	19.0%	10.7%	26.0%	6.9%
Glidden	10.2	7.3	9.9	21.1	10.0	14.5	13.3
Colony	12.5	5.2	1.7	14.0	11.6	2.6	6.9
Tru-Test	6.6	10.7	10.0	0.2	8.6	4.5	8.7

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

The two leading suppliers were most popular at high volume companies, while Colony was named most often as a best-selling brand at lower volume operations. Glidden was the overwhelming choice among larger-sized home centers.

Retailer brand preference:

Paint

Brand	% of retailers naming brand as among their best selling
Olympic	14.5%
Glidden	12.0
Colony	7.6
Tru-Test	6.7
Enterprise	5.8
Rust-Oleum	5.7
Dutchboy/ Martin-Senour	4.0
Pittsburgh Paints	3.8
The Valspar Corp.	3.8
Benjamin Moore	2.7
Minwax	2.5
Sherwin Williams	2.2
Fuller-O'Brien	2.2
Savogran	2.1
Red Devil	2.0
Cuprinol	1.8
Pratt & Lambert	1.7
Magicolor	1.7
Samuel Cabot	1.4

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

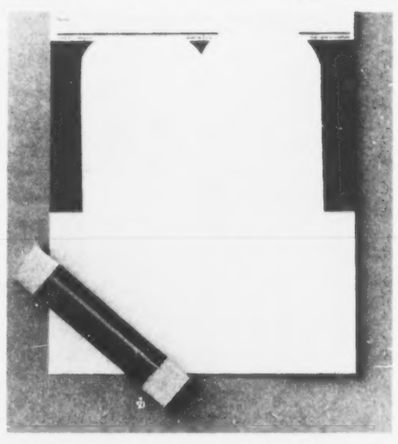
Olympic and Glidden lead a highly fragmented, and hotly competitive, paint market.

NO. 2 IN A SERIES

THE UNITED COATINGS MEASURE OF QUALITY AND WHAT IT MEANS TO YOU.

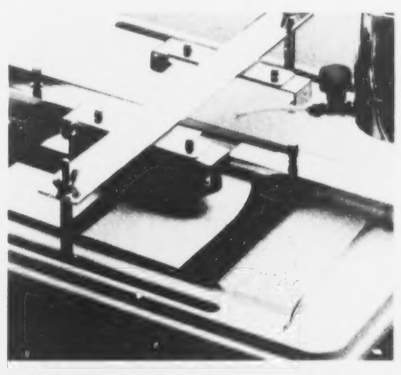
"How can I tell if I'm buying the best quality paint?" Check your paint the way we check ours.

1 Check the paint "hiding quality" with the industry standard draw-down bar.



"Hiding" is the covering ability of paint at a uniform thickness (3 mils), on a uniform black surface. Does the black show through? Not if the paint has a high titanium dioxide content. United Coatings paints contain more titanium dioxide than competitors, therefore we have a better "hiding" product.

2 Evaluate the "scrub quality" with the Gardner washability machine.



This test is a side-by-side paint toughness shootout! An abrasive coated scrub brush is pulled back and forth across our paint sample and a competitor's paint sample. 150 strokes can rub out a poor quality paint. United Coatings paints test 3 to 4 times longer than most of our competitors. At any given price point our paints contain more acrylic and vinyl resins, for better washability.

3 Test the "adhesion quality" on difficult surfaces.

We do that with the same machine as in Test 2. Paint samples are placed side-by-side over a glossy alkyd surface and permitted to dry for 24 hours. The paint film is then cut by a razor blade and soaked in water for 1/2 hour. Samples are emersed in water and scrubbed without abrasive. This test checks the surface adhesion under the worst conditions. United Coatings paints stick better on difficult surfaces because they contain more pure acrylic resins.

What does this testing mean to you?

Our test results prove that United Coatings paint products are of the highest quality and must, therefore, be made using the finest raw materials and methods. In fact, United Coatings has the highest raw material cost as a percentage of sales in the paint industry—over 63%!

And yet, our prices are the most competitive in the industry because we keep our overhead costs low.

How our quality works for you.

This commitment to quality and low overhead gives our customers the opportunity to offer *their* customers the best paint values.

In fact, our private label accounts not only get generous compliments about the paint they sell, but their customers keep coming back and bringing new customers with them.

The United Coatings Commitment.

You get the highest quality paint at the lowest possible price, with complete on-time delivery.

For more information, about how United Coatings quality paint products can increase your sales, call Jules Knapp, President, or Richard Hutner, Vice President, at 800-621-1000. They'll enjoy talking to you about the great products from

UNITED COATINGS

Manufacturing plants in Chicago, Memphis, Los Angeles, Charlotte, Indianapolis and Texas (1985)

QUALITY IS ONE OF THE REASONS YOU SHOULD BUY UNITED COATINGS

MEET PEOPLE YOU KNOW EVERY ISSUE

THE 1984 NHCN BRANDS REPORT

Retailers sold on four ceiling tile brand names

Most of the nation's home centers—almost 80%—carry ceiling tiles, yet only four manufacturers have been named as best sellers.

Armstrong was named a best seller by over half the home centers surveyed in a market research report compiled by Leo J. Shapiro and Associates for *National Home Center News*.

Celotex and Owens-Corning were also named best sellers by 1 in 5 retailers in the survey, followed by Gold Bond which was mentioned by 14% of respondents.

Retailers also feel that consumer brand awareness is important in this category, and that more than one brand should be sold, according to the survey.

However, this contradicts the findings of a consumer attitude study made for *National Home Center News* earlier this year (July 16). In this study—which surveyed consumers for their brand awareness, among other things—consumers were found to have a low-brand and low-store awareness for ceiling tiles.

Top ceiling tile brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Armstrong	45.2%	56.1%	63.0%	51.1%	62.3%	48.8%	36.7%
Celotex	13.8	20.9	18.6	26.3	17.5	23.3	16.8
Owens-Corning	12.8	10.9	19.2	32.5	13.9	23.3	21.5
Gold Bond	13.0	10.4	21.6	17.6	15.1	10.8	17.2

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Armstrong is the preferred ceiling tile brand at all sizes of companies and stores while Celotex is strongest at midsized operations and Owens-Corning at larger chains and stores.

Similarly, more than three quarters of home center retailers with small, medium and large numbers of units in their chains, sell ceiling tiles.

In addition, equally high numbers of home centers with large, medium and small-sized units sell ceiling tiles.

Although over two thirds of stores in every type of metro-area carry ceiling tiles, the strongest concentration of retailers carrying the product seems to be in rural areas. Almost 90% of home center retailers serving rural markets sell them.

Retailers serving different regions of the country report different brands as best sellers.

For instance, at least half of the home centers in all four regions name Armstrong as a good seller, but almost two-thirds of the home centers in the West named that vendor. Less than half of the home center retailers in the South mentioned Armstrong.

Also, almost a quarter of the home centers in the North-central and South named Celotex as a strong seller, but less than a tenth of home center retailers in the West named it.

Similarly, Owens-Corning had one in four home centers naming it in the Northeast, but had less than 1 in 10 respondents in the South listing it as a best seller.

In addition, Owens-Corning was named a best seller by a relatively large number of high-volume home centers. A third of the respondents with volumes above $10 million named this vendor a best seller.

Gold Bond is strongest in the Northeast, with over 1 in 4 home center retailers naming it as a best seller, but with only 4% of home center retailers in the West naming it.

One explanation for the discrepancy may be that while manufacturers have been successful in persuading retailers that brand is important, they apparantly have not been as successful at convincing consumers.

Whatever the reason, none of the home center retailers surveyed increased the number of brands they carry in the past year.

Nevertheless, ceiling tiles are seen as good traffic generators rather than as good margin/profit generating products.

Whether the dollar volume of a home center was large, medium or small, the majority of respondents said they sell ceiling tiles. Fewer home centers with volumes below a $1 million stock them, but even two-thirds of those companies handle the product.

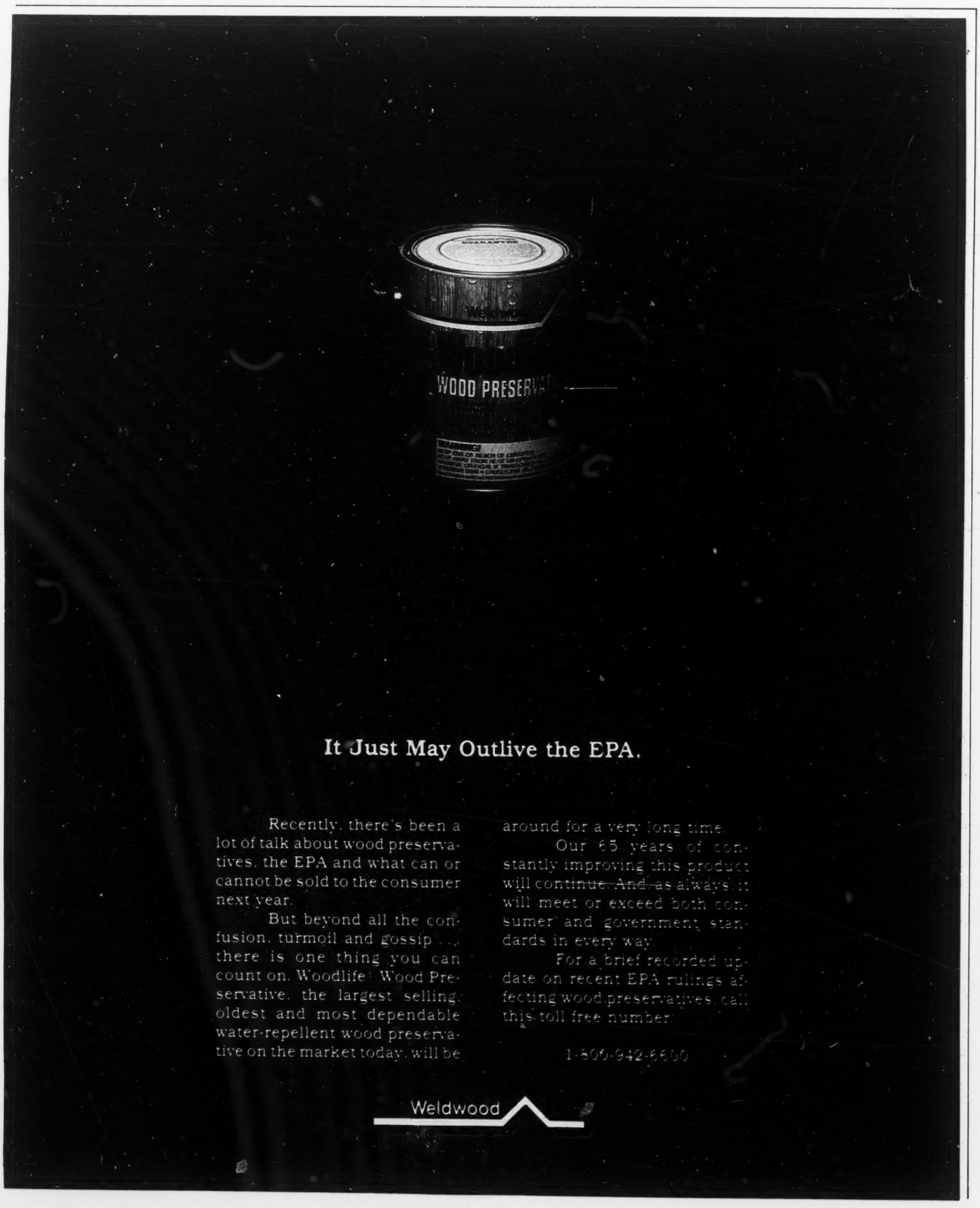
Retailer brand preference:

Ceiling tile

Brand	% of retailers naming brand as among their best selling
Armstrong	53.1%
Celotex	20.0
Owens-Corning	18.0
Gold Bond	13.6

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Only four brands of ceiling tile were named by retailers as among the best selling in their stores.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Weldwood

Paint brands

(Continued from page 36)

having 10 or more outlets and operating larger stores.

Unlike Glidden and Olympic, whose market coverage is more national in scope, the next three ranked paint brands in the study are more clearly defined along specific dealer lines.

For example, Colony Paints, the Minneapolis-based division of Valspar, appears to do well with dealers in the north central states, and with companies with more than $10 million in sales and over 10 stores. However, it has made virtually no impact on the study's dealers in the northeast.

The dealer profile of those who stock Tru-Test Paint appears to reflect those to whom Cotter & Co., the nation's largest hardware wholesaler that distributes Tru-Test as its private label, sells all its products.

Stores selling Tru-Test, according to the study's data, are likely to be under 10,000 sq. ft. (although larger stores also carry the brand), and part of a two- to nine-unit chain doing anywhere from $1 million to $10 million. Cotter continues to cater specifically to the independent hardware store, so its minimal showing among dealers with large chains and big stores was to be expected.

On the other hand, it is this latter retail group that Enterprise Cos. appears to be shooting at exclusively. Enterprise, the Chicago-based company which sells to an extremely high percentage of the home center industry's top 25 chains, got no response in the survey from dealers whose stores do less than $3 million in sales or who operate single unit companies.

THE 1984 NHCN BRANDS REPORT

Supplemental lines may open hand tool market

That the greatest cross section of dealers identified products made by Stanley Works, the world's largest tool manufacturer, as their best-selling hand tool line should surprise virtually no one reading this year's *NHCN* Brands Study.

But one of several findings that could raise some eyebrows shows that about 10% of those dealers responding to the survey with 10 stores or more, and an even higher percentage with units 20,000 sq. ft. and over, claim not to carry hand tools—one of the industry's staple products—at all.

With over 90% of all dealers in the study handling hand tools in their stores, one might think the market is at or near its saturation point. However, the survey reveals that, with more dealers taking on supplemental lines, and with some of the larger chains and bigger stores still not stocking the items, some opportunities for market penetration continue to exist.

It appears, though, that the majority of those home centers with tool departments see Stanley's line as a necessary element in their product mix. More than 7 out of every 10 dealers surveyed (and more than 8 out of 10 in the West) named Stanley's hand tools as among their best-selling.

The New Britain, Conn., manufacturer's market penetration appears to run the gamut through all industry and demographic segments, and Stanley has been particularly successful in getting its merchandise into larger home center chains operating bigger stores, according to the survey's data.

Retailers queried ranked hand tools second behind portable power tools as a category in which brand is an important marketing element, and with Stanley spending more on national advertising than almost any other tool supplier, it's hardly shocking that dealers want to capitalize on its name brand recognition among consumers by stockings its products.

However, while the study basically bears out statements made by Stanley and other tool suppliers that the industry is gravitating toward single sourcing, it also notes that dealers still look to diversify their product mix by adding new brands to fill out their main supplier's offering.

The study shows that close to 1 out of every 7 dealers increased the number of national hand tool brands carried in his stores over the past year. And the typical respondent said that two or more hand tool brands were necessary to meet customer demand.

Several better-known hand tool lines were listed by dealers as best-selling in their stores, even though they all distantly trailed Stanley's products.

About 10% of all retailers surveyed placed The Copper Group's Plumb line of striking tools in the best-selling category. And Plumb showed particular strength with dealers located in the South and among those whose companies generate $10 million or more in annual sales.

In fact, Cooper—the corporation which makes several lines of hand tools under the Nicholson, Lufkin, Weller, Wiss/Boker and Crescent names—was identified as a best-selling "brand" by more than 6% of the survey's retail respondents, even though no tools bear its name, per se.

Cooper, which is based in Raleigh, N.C., sells tools considered to be at the high end of the price spectrum, whereas Stanley's line would be at the high end of the midprice range. That both companies figure so prominently as best-selling names in the survey corroborates that dealers are shifting their emphasis away from "junk bin" tools toward better quality.

However, as has been reported in this publication and elsewhere, many American manufacturers are relinquishing the low end to import tool lines, many of which boast much-improved quality over the past few years, and are now estimated to own at least 20% of the hand tool market in the United

(Continued on page 44)

Top hand tool brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Stanley Tools	69.6%	59.8%	74.7%	84.3%	73.6%	73.4%	73.3%
Plumb	15.3	7.3	7.9	15.8	16.6	3.9	7.4
Fuller Tool	15.2	19.7	5.8	—	7.3	11.3	8.1
Black & Decker	6.5	11.8	7.1	2.8	5.6	9.1	12.0
Skil	7.2	11.4	5.7	—	5.1	8.8	4.5
Cooper	1.5	6.0	13.1	6.0	6.9	6.1	6.1
Vermont American	10.2	1.5	8.7	5.5	8.5	2.4	4.7

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Stanley's penetration of the hand tool market runs the gamut from small companies to large chains, while other companies, most notably Plumb and Fuller, tend to have strengths in particular segments of the market.

Retailer brand preference:

Hand tools

Brand	% of retailers naming brand as among their best selling
Stanley Tools	72.2%
Plumb	10.1
Fuller Tool	8.7
Black & Decker	7.9
Skil	6.1
Cooper	6.1
Vermont American	5.8
Mater Mechanic	4.0
Great Neck Saw	3.1
Disston	3.1
Vaughan & Bushnell	3.0
Lufkin	2.3
Makita	2.1
Tru-Temper	2.1
Blue Grass	1.9
Estwing	1.8

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Stanley far outdistanced its nearest competitor among retailers surveyed naming a specific brand as among their best selling. The remaining companies, including several national manufacturers, rated closely.

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THE 1984 NHCN BRANDS REPORT

One vendor dominates untapped floor tiles

NATIONAL REPORT — Less than half the nation's home centers carry floor tiles, which suggests that their full market potential hasn't yet been tapped.

The market is dominated by Armstrong, with fragmented competition fighting for the remaining dollars, according to a recent brands survey conducted by Leo J. Shapiro for *National Home Center News*.

Yet despite Armstrong's strength, retailers also think it's necessary to carry a selection of brands on their shelves, according to the survey.

More stores in rural and large metro-markets (with over one million people) seem to carry floor tiles than stores in moderate metro markets.

In addition, retailers show regional preferences for different floor tile manufacturers.

However, the size of home center stores does not affect floor tile distribution among retailers, as an almost equal number of retailers with small-, medium- and large-sized stores carry them.

Although only 44% of all the retailers surveyed carry floor tile, half of them are large-volume retailers. In fact, 70% of retailers with dollar volumes above $10 million carry floor tiles. In comparison, only a third of the retailers with volumes below $1 million stock them.

A similar pattern is seen with the number of units in a home center chain. Two-thirds of all the chains with more than 10 stores carry floor tiles, while only 1 in 4 single-unit retailers stock them.

Top floor tile brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Armstrong	12.9%	11.6%	26.8%	43.7%	28.8%	28.1%	26.5%
Kentile	10.2	15.7	7.6	6.9	13.7	5.9	2.0
Azrock	8.1	2.1	2.2	—	1.8	4.4	—
Amtico	1.4	1.0	4.1	—	1.0	4.2	—

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Armstrong's strength is among higher volume companies, while Kentile appears more popular at medium-sized home improvement operations.

The predominance of large chains carrying floor tiles may reflect low margins, which would make it necessary for retailers to obtain high turns in order to generate profits. Three times more retailers said they use floor tiles as traffic generators than for high-profit margins.

Strengths examined

Nationally, Armstrong was the strongest brand in the survey, with almost 1 in 3 of all the retailers surveyed carrying it. Kentile was next with 8% of all retailers saying it was among their best-selling brands, while both Azrock and Amtico following with 2% each.

Armstrong was named as a best seller by retailers in all four of the regions classified in the survey. So was Kentile, which has a strong following in the South, with 14% of retailers mentioning Kentile as a best seller, compared to 18% of Southern retailers who cited Armstrong.

The Northeast is an equally strong area for Kentile, with 14% of retailers mentioning it. Additionally, this region is Amtico's strongest maket as 5% of retailers mentioned it there, compared to its 2% national average.

Although Armstrong leads in all the regions, the West is its strongest market base, with 36% of retailers calling it a best seller.

Yet despite Armstrong's strength in the floor tile market, retailers still see the need to carry more than one brand. The survey found that they prefer to have two or three brands on store shelves.

Retailer brand preference:

Floor tile

Brand	% of retailers naming brand as among their best selling
Armstrong	26.7%
Kentile	8.8
Azrock	2.2
Amtico	2.0

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Armstrong dominates a fragmented floor tile market.

Hand tools

(Continued from page 42)

States.

Retailers are using imported hand tools as their departments' opening price point, and these overseas items are more regularly becoming standard components in most home centers' product mixes.

Just how much dealers are relying on these low-end products to increase tool sales, though, is subject to question, as less than one-fifth of all retailers in the survey said they promote their hand tool lines to generate customer traffic.

One point of interest, though, is seen in the more than 15% of hand tool dealers whose companies do more than $10 million in annual sales identifying private labeling as important for their tool departments.

In the final analysis, though, the window through which new hand tool lines can crawl to crack into the United States market is shrinking, primarily because imports have captured about all the market share they are likely to get, and dealers continue to show a marked preference for nationally advertised, highly visible brand names.

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THE 1984 NHCN BRANDS REPORT

Dealers see sheet vinyl as brand-oriented

Only a third of the nation's home centers carry sheet vinyl floor covering, the majority of them being large chains with high dollar volumes and big stores.

As with both floor and ceiling tiles, Armstrong is the most popular supplier of sheet vinyl floor covering, with 70% of home centers that stock this category naming it as a top seller, according to a survey conducted by Leo J. Shapiro & Assoc., Chicago, for *National Home Center News*.

Among the home center industry as a whole, Armstrong is a best seller at 25% of all stores, since just 36% of America's home centers carry sheet vinyl floor covering.

There also are some half-dozen other vendors considered best sellers, but to a much lesser degree, according to the survey.

Top sheet vinyl floor covering brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Armstrong	10.2%	11.4%	34.7%	39.1%	27.3%	24.2%	24.9%
Congoleum	7.5	4.8	6.1	9.3	6.1	5.9	9.1
Tarkett	—	1.5	1.8	15.8	5.6	1.5	9.1
Kentile	4.4	6.4	—	—	1.6	3.7	1.3
Mannington	1.4	2.1	4.5	—	2.6	1.4	—

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

The Armstrong name carries significant weight in all size stores, and especially at higher volume companies. Tarkett also scored high at big volume operations.

In addition, home center retailers see sheet vinyl floor covering as a strongly brand-oriented product, although they also feel there is no need to carry more than one brand.

A great proportion of home centers with stores over 20,000 sq. ft. carry sheet vinyl than companies with smaller-sized units.

In addition, more retailers supplying nonmetro markets carry sheet vinyl floor covering than retailers in both large and small urban markets.

A home centers' dollar volume also seems to relate to whether sheet vinyl floor covering is carried. Almost two-thirds of home center retailers with volumes above $10 million carry it; one-third of home centers with $3-million to $9-million volumes and less than one-fifth of home center retailers with volumes below $1 million, sell sheet vinyl floor covering.

The number of stores in a chain show a similar pattern, with nearly half of the 10-unit-plus chains selling it; a third of the two to 10 store chains and a fifth of the single-unit home centers carrying sheet vinyl.

Despite the relatively small per cent of home center retailers who carry sheet vinyl floor covering, they see the product as a good traffic generator, which also supplies good margins in the 40% range (*NHCN*, Aug. 15, 1983).

Congoleum and Tarkett appear to be Armstrong's biggest competitors as 7% and 5% of all home center retailers, respectively, said these brands were among their top sellers.

Although 2% of the nation's home center retailers consider Kentile sheet vinyl a best seller, that company does not produce sheet vinyl. The confusion probably reflects the strength of the Kentile name as a manufacturer of floor tile.

Retailer brand preference:

Sheet vinyl flooring

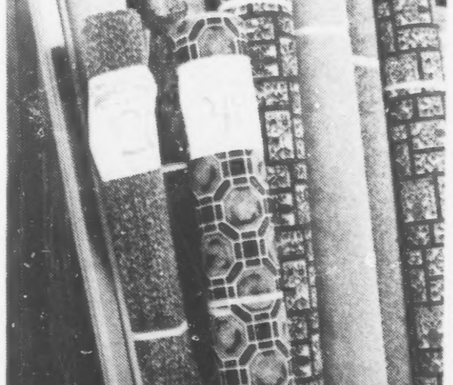
Brand	% of retailers naming brand as among their best selling
Armstrong	24.9%
Congoleum	6.6
Tarkett	4.8
Kentile	2.1
Mannington	1.7

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Armstrong is a best seller name brand at a quarter of the home centers surveyed.

However, these figures hide some strong regional brand preferences. For instance, Tarkett and Kentile show their greatest strength in the Northeast, with 13% of retailers listing Tarkett and 9% Kentile, as among their best sellers. In comparison, Armstrong is named by 17% of retailers in this region.

Congoleum, on the other hand, is strongest in the North Central region, with 10% of all retailers in that area claiming it as a top seller. This vendor is also named by 6% and 5% of retailers in the South and West, respectively, compared to only 1% of retailers naming it in the Northeast.



Only a third of the nation's home centers carry sheet vinyl flooring. Payless Cashways' Plano, Tex., unit is one of them. NHCN photo

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THE 1984 NHCN BRANDS REPORT

Dealer/shopper garage opener views diverge

Stanley garage door openers bulk merchandised at Grossman's Warehouse, Babylon, N.Y. NHCN photo

Top garage door opener brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Stanley	13.6%	14.3%	33.4%	22.3%	26.2%	18.5%	21.0%
Genie	16.8	10.3	24.2	29.8	25.3	16.3	9.9
Chamberlin	18.4	6.6	8.7	13.8	15.1	9.0	9.1
Mor-O-Matic	10.2	3.7	2.6	0.4	2.9	0.7	7.9

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Stanley and Genie ran close in garage door opener brand preference by company and store size, with manufacturers further down the list showing better among smaller home center companies.

While two-thirds of the nation's home center retailers carry garage door openers, dealers feel brand names are only fairly significant in shaping a shopper's buying decision in this category. However, consumers rank brand importance at a somewhat higher level, suggesting that retailers are underestimating the value their shoppers place on this product's brand name.

Of 19 product groups evaluated in this year's *NHCN* Brands Report, garage door openers ranked seventh in retailers' view of brand importance to consumer buying decisions. In a survey of consumer attitudes conducted earlier this year (*NHCN*, July 2), shoppers ranked garage door openers fourth, out of 40 product categories, in terms of brand importance.

In light of this disparity, retailers may also have to re-evaluate the number of name brands they carry in this category. This year's Brands Report found that three-fourths of the retailers surveyed felt that selling one name brand garage door opener provided a sufficient offering for the shopper.

Two brands dominate: Stanley, from the hardware division of Stanley Works, New Britain, Conn., and Genie, made by Alliance Manufacturing of Alliance, Ohio, with 21.5% and 20.3% of retailers, respectively, naming those brands as among their best-selling. Adding the 1% of retailers who mentioned the Alliance name as among their best-selling, the two leading vendors in this market are clearly running neck-and-neck.

Chamberlin, the No. 3 brand, was mentioned only half as many times as either of the two top names. The rest of the garage door opener market appears fragmented with no other brand being mentioned by more than 4% of the retailers surveyed.

Retailer brand preference:

Garage door openers

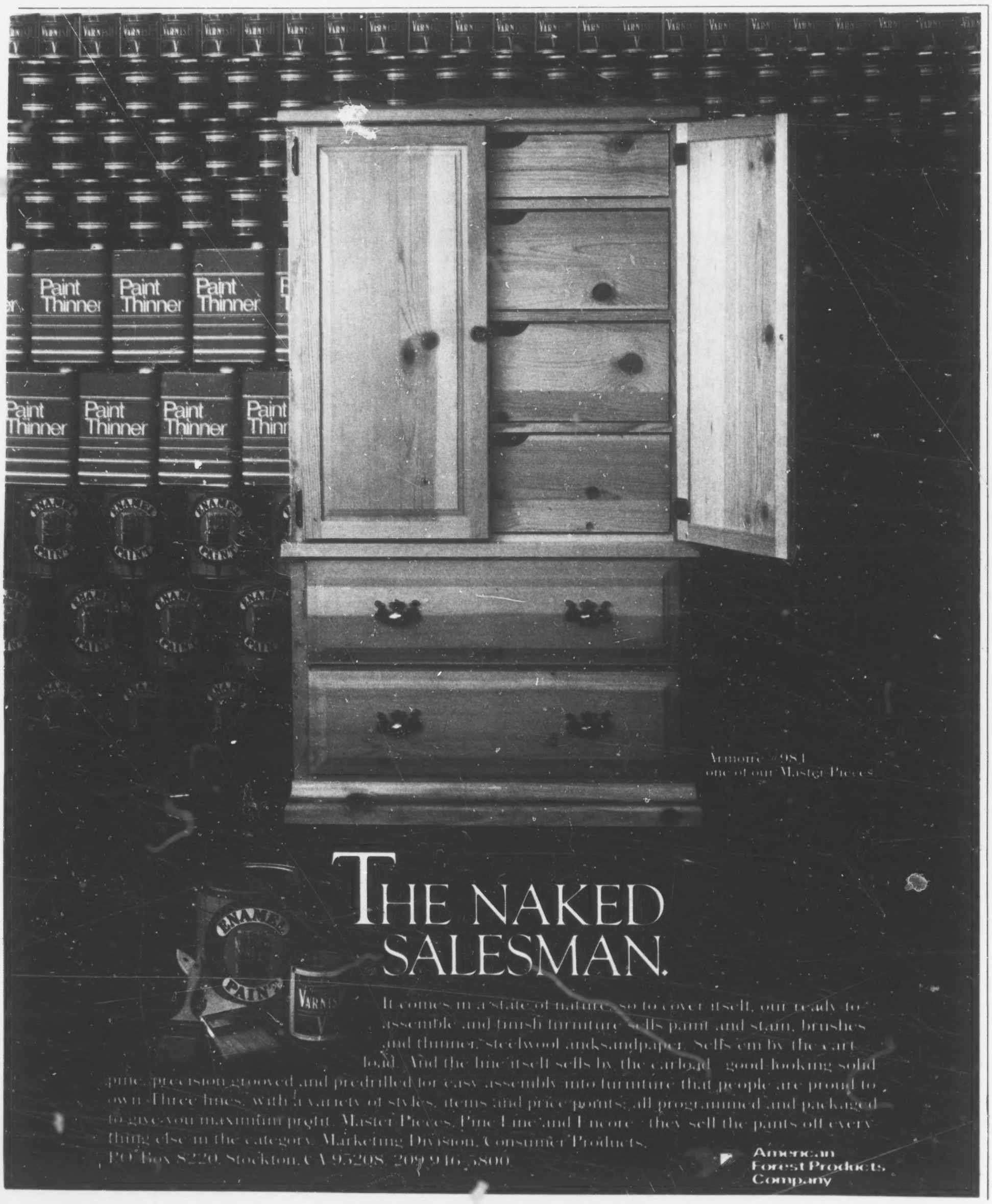
Brand	% of retailers naming brand as among their best selling
Stanley	21.5%
Genie	20.3
Chamberline	11.4
Mor-O-Matic	3.1
Clopay	2.3

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Stanley, Genie and Chamberlin dominated the best-selling category. The remainder of manufacturers were mentioned by only a few per cent of the respondents.

Regionally, the strength of the Stanley name is greatest in the West, where it was tabbed by over half the retailers as among their best-selling brands. Chamberlin's strength is also in the West: it received best-selling mentions by more than 18% of retailers there. Genie was strongest in the Northeast and North Central, but appeared especially weak in the South, where only 8% mentioned Genie as compared to 18% who said Stanley. Interestingly, nearly two-thirds of the dealers in the South said they don't sell garage door openers.

Among home centers doing less than $1 million in annual sales, Chamberlin topped both Stanley and Genie; but the market leaders have carved out dominant positions among retailers with $3 million-$10 million and over $10 million in yearly volume. Also, Stanley and Genie are mentioned most often by dealers whose stores belong to chains of 10 units or more.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THE 1984 NHCN BRANDS REPORT

Door market wide open for brand cultivation

Dealers are lukewarm about the importance of brand names when selling exterior replacement doors, and only the rare retailer stocks more than one line in his stores.

The product category, according to dealer responses in this year's *NHCN* Brands Study, is viewed as neither a big customer traffic builder nor, despite its average price tag of around $150, one that generates a lot of margin.

However, 75% of all dealers carry exterior replacement doors and it appears, on the study's evidence, that the market remains wide open for suppliers to cultivate their brands with consumers.

The exterior doors made by Stanley Works' Door Systems division in Troy, Mich., were identified by the greatest percentage of dealers in the study—about 21%—as best selling, even though Stanley's coverage of the market is spotty in some areas. Less than 1% of Western dealers named the brand, and its penetration into higher volume, multiunit chains appeared to be less pronounced than with smaller companies.

Its strongest position in the market is with surveyed dealers located in nonmetro markets in the South, with small stores that are part of two-to-nine unit chains doing from $3 million to $10 million in sales annually.

As a best-selling brand, Stanley was followed by Pease Industries, the Fairfield, Ohio, company that actually markets its doors under the "Everstraight" brand name that was mentioned again in the study by a much smaller number of dealers.

About 1 in 7 dealers found the Pease door to be best-selling in their units, with the brand showing particular strength among North Central retailers, with smaller companies in nonmetro markets. However, less than 3% of the dealers whose units exceed 20,000 sq. ft. claimed this brand to be selling well in their stores, an indication perhaps that Pease might be finding it difficult to penetrate the larger home center operations.

Dealers ranked the exterior doors made by Peachtree Door in Norcross, Ga., third, with slightly more than 1 in 10 dealers alluding to this brand name. Peachtree's market coverage appeared to be consistent among all dealer and demographic lines, except that it showed a decided weakness in markets that are populated by more than one million people.

After Peachtree, dealer responses for the following brands drop appreciably, even as several well-known brands were mentioned. For instance, the Seattle-based Simpson Timber ranked fourth in the survey as a best-selling line, getting around 7% of total responses. However, its popularity rose considerably in the West, as nearly one-third of all dealers in that region named the brand. In addition, close to 1 in 5 retailers with stores exceeding 20,000 sq. ft. said Simpson's line sold well.

It bears noting that Simpson Timber makes only a wood exterior door but does not offer an insulated steel product, the only brand among the top six ranking names in the study not to distribute a steel product.

Manufacturers and dealers continue to debate the pros and cons of wood vs. steel, and an *NHCN* study published in May 1983 found that steel doors accounted for close to 60% of total door sales among the polls' respondents.

It should not be assumed, though, that the market for wood doors is waning, as several companies that make only wood door products—E. A.

(Continued on page 50)

Top exterior replacement doors brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Stanley	25.4%	24.9%	26.7%	12.4%	25.5%	12.5%	20.1%
Pease	16.0	20.7	18.3	13.9	18.8	16.3	2.6
Peachtree	11.5	12.5	7.0	14.3	14.1	5.7	9.3
Simpson Timber	5.0	6.0	5.6	10.7	7.2	2.4	17.0
Therma-Tru	12.3	3.9	10.3	0.4	5.7	5.6	10.5
Steelcraft	5.8	6.2	6.6	4.8	4.2	6.6	0.2
Nord	1.4	6.6	8.5	0.3	4.8	1.6	3.9

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

More high volume companies named the Peachtree brand as among their best selling, but mid- and lower-volume operations preferred Stanley. Simpson Timber doors appeared popular at large home center outlets.

Retailer brand preference: *Exterior replacement doors*

Brand	% of retailers naming brand as among their best selling
Stanley Door/ Stanley Works	21.3%
Pease	14.9
Peachtree	10.9
Simpson Timber	7.1
Therma-Tru	6.3
Steelcraft/ Perma-Door	5.0
Nord	3.8
Morgan	2.8
Benchmark	2.7
T. M. Cobb	1.8
Nicolai	1.7
Bosh	1.4
Keller	1.2
Andersen	1.2
Everstraight	1.2
Ceco	1.0
Taylor	0.8

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

The appearance on the list of Keller and Andersen, brands of sliding glass and/or patio doors, reflects some dealer confusion over what brands of exterior doors they carry.

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THE 1984 NHCN BRANDS REPORT

High volume chains core of ceiling fan market

Less than a third of the nation's home centers carry ceiling fans, and high volume, large-unit home center chains are the most common carriers for them.

The ceiling fan market appears to be very fragmented, with a slew of different manufacturers mentioned as best sellers for home center retailers throughout the country, according to a survey recently compiled by Leo J. Shapiro for *National Home Center News*.

In addition, home centers show strong regional preferences for the ceiling fan category, with more Southern home centers carrying them than home centers elsewhere in the country. After the South, the Northeast is the most popular region for ceiling fans, according to the survey.

Vendor popularity is strongly regional as well. A manufacturer which is mentioned by a larger number of home center retailers in one region as a best seller often seems to not be mentioned at all by retailers in another, in the survey.

However, home center retailers see consumer brand identity as fairly important, even though the majority of home center retailers also feel there is little need to carry more than one brand.

More home center retailers in rural and smaller metro-markets seem to sell ceiling fans than home centers that serve highly urban areas with populations above a million people.

Also, store size seems to play a part in home centers carrying ceiling fans. Close to half the home centers with stores in the 10,000-sq.-ft. to 20,000-sq.-ft. range said they carry ceiling fans, in the survey. While a third of the 20,000-sq.-ft.-plus stores carry them, and only a quarter of home center retailers with stores under 10,000 sq. ft. sell ceiling fans.

Overall, more home center retailers with large dollar volumes said they sell ceiling fans than home center merchants with smaller volumes.

For instance, almost two fifths of home centers with total sales above $10 million carry them, while just over one fifth of $1 million to $3 million volume companies said they sell ceiling fans.

Of the manufacturers mentioned as best sellers by home center retailers, Hunter, Moss and Emerson were the most frequently named.

Hunter was named by more home center retailers as a top seller than any other vendor, with 9% of the nation's home center retailers mentioning it.

Hunter was named by 10% of home centers in the North Central region; by 12% of the South's home centers, and by 12% of the West's. It was weakest in the Northeast, as were most brands except Emerson.

Location

Moss showed a similar pattern of home center retailers naming it as a best seller. Like Hunter, no home centers based in the Northeast mentioned it, but 6% of the North Central's; 4% of the South's, and 9% of the West's home center retailers named it as a top seller.

Emerson, on the other hand, was mentioned by 14% of retailers based in the Northeast, with no home centers in the West mentioning it at all as a good seller. Four per cent of the North Central's retailers mentioned it and 5% of the South's retailers named it as a best seller.

Top ceiling fans brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Hunter	8.6%	9.4%	22.1%	—	7.7%	14.7%	2.8%
Emerson	6.2	5.2	6.6	4.6%	4.1	6.1	2.7
Moss	0.7	—	4.0	10.7	5.4	6.6	2.4

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Hunter lead the ceiling fan brand preference by company size and store size with, oddly enough, no mentions in the over $10 million category. Moss, third in the survey, seemed to dominate the larger home center companies.

Retailer brand preference:

Ceiling fans

Brand	% of retailers naming brand as among their best selling
Hunter	9.1%
Emerson	5.0
Moss	4.9
Nu-Tone	1.1
Fasco	0.7

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Retailers named Hunter as their best-selling ceiling fan more frequently than any other brand. Emerson and Moss were the only other manufacturers to capture significant responses in this category.

Exterior doors

(Continued from page 49)

Nord, Nicolai and C. E. Morgan (which also distributes Pease's steel door line)—were still tapped as best-selling brands, albeit by a smaller cross section of the study's dealers.

Scanning the rest of the study, one finds much information that lends some insight into how successfully manufacturers of exterior doors have penetrated a given market.

Therma-Tru, the Sylvania, Ohio, company that at one time marketed its product under the name "Lake Shore," was the fifth-ranked brand in the study, and it appears to do well with midsize companies in medium-size markets. However, it had virtually no representation among those dealers surveyed whose stores do over $10 million per year.

The Perma-Door brand name made by the Steelcraft division of American Standard in Cincinnati was named by 5% of the total dealers polled as best-selling. But among dealers in the West, and those with 20,000-plus-sq.-ft. units and companies doing $10 million or better, the brand has yet to make its mark.

Dealers showed some confusion over what brands of exterior doors they were carrying in their units, as brands like Keller and Andersen were identified as best-selling, even though both are brands of sliding glass and/or patio doors.

In addition, the market has become more complicated by the impact of some distributors in certain regions whose names are as well-known as the products they carry. Wholesalers such as T. M. Cobb and Bilco were identified by a small percentage of dealers as best-selling brands in their stores.

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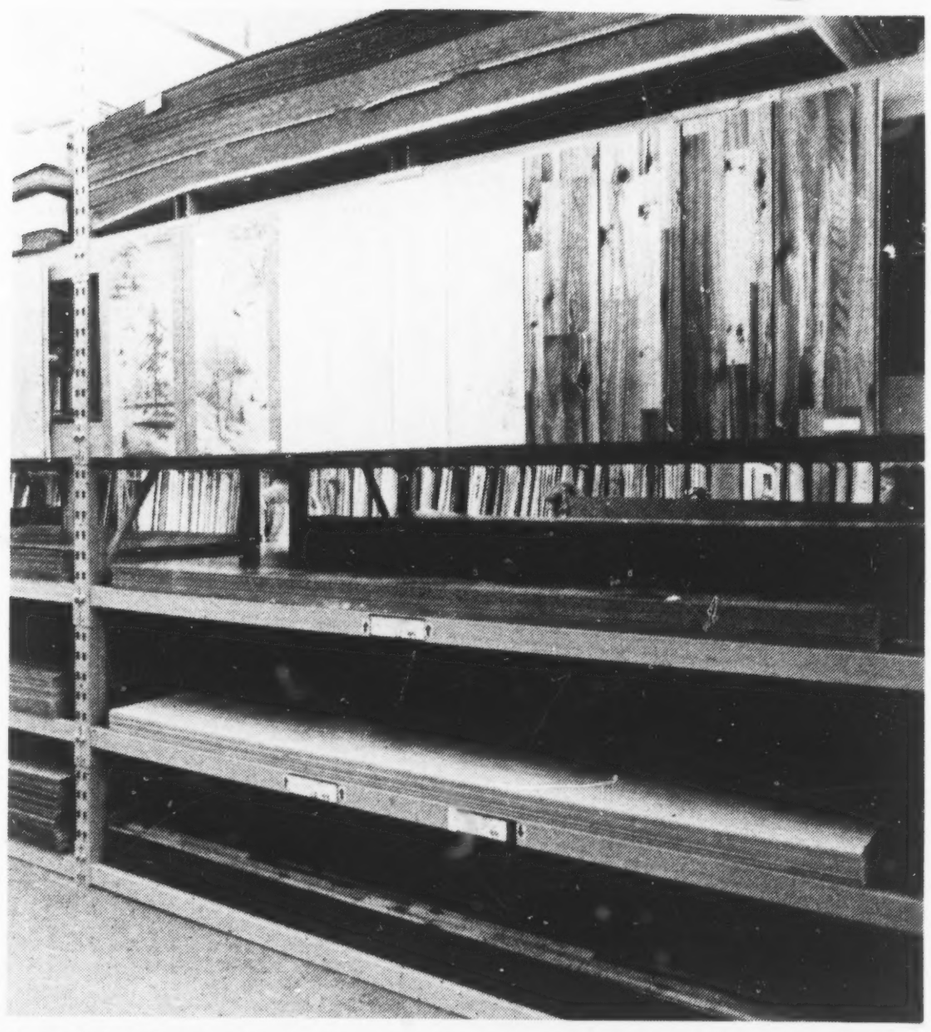
THE 1984 NHCN BRANDS REPORT

Paneling strategies focus on multiple brands



A variety of samples is shown above paneling stocked on horizontal shelving at Lindsley, St. Petersburg, Fla. NHCN photo

Top wall paneling brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Georgia-Pacific	40.2%	33.8%	36.8%	48.8%	43.0%	38.9%	27.5%
Champion Int'l	21.3	27.9	40.6	24.9	28.8	26.2	17.6
Abitibi	23.9	19.2	13.0	24.3	15.2	18.3	25.2
Weyerhaeuser	16.4	25.1	29.4	6.6	19.8	17.5	13.0

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Of the top four wall paneling mentions, Georgia-Pacific and Abitibi showed strongest in the less than $1 million and over $10 million categories. Champion and Weyerhaeuser showed best in the middle sales volume range.

Most of America's home center retailers carry wall paneling, although noticeably fewer home centers serving the Western States sell it.

There, just over half the home centers sell wall paneling compared to almost 80% in the country as a whole, according to a recent survey conducted by Leo J. Shapiro and Associates for *National Home Center News*.

Home center retailers also feel that, for more than any other product category listed in the survey, it is necessary to carry several different brands of wall paneling.

At the same time, home center retailers feel that consumers have a relatively low brand-consciousness for wall paneling, which is consistent with findings of *National Home Center News'* consumer attitude survey (July 16, 1984).

Although well over a dozen manufacturers and suppliers were named as best sellers in this product category, four vendors stand out.

Georgia-Pacific was mentioned by 2 out of 5 home center executives as a best seller, and Champion International was named by over 1 in 4 home center companies.

Almost 20% of America's home centers consider Abitibi and Weyerhaeuser paneling as best sellers. In addition, between 5% to 6% of hme center retailers name Plywood Panels, Masonite, States Industries and Ply Gem as best sellers.

Home centers serving predominantly nonmetro markets have the highest likelihood of carrying wall paneling.

Eighty-four per cent of rural home centers carry wall paneling, while only two-thirds of home centers serving large, one million-people-plus metro-markets sell it.

Despite wall paneling's bulkiness, more smaller-sized stores carry it than larger-sized units.

Only two-thirds of home centers with stores over 20,000 sq. ft. carry wall paneling, while more than 4 in 5 stores below 20,000 sq. ft. carry it.

In addition, there seems to be a correlation between the number of home centers carrying wall paneling and the chain's dollar volume.

Almost 9 out of 10 retailers with volumes in the $3 million to $10 million range carry wall paneling, while only three-quarters of home centers with volumes below $1 million sell it.

However, chain size does not seem to influence home centers' likelihood of selling wall paneling. An almost equal percentage of large-, medium- and small-sized home center chains carry it.

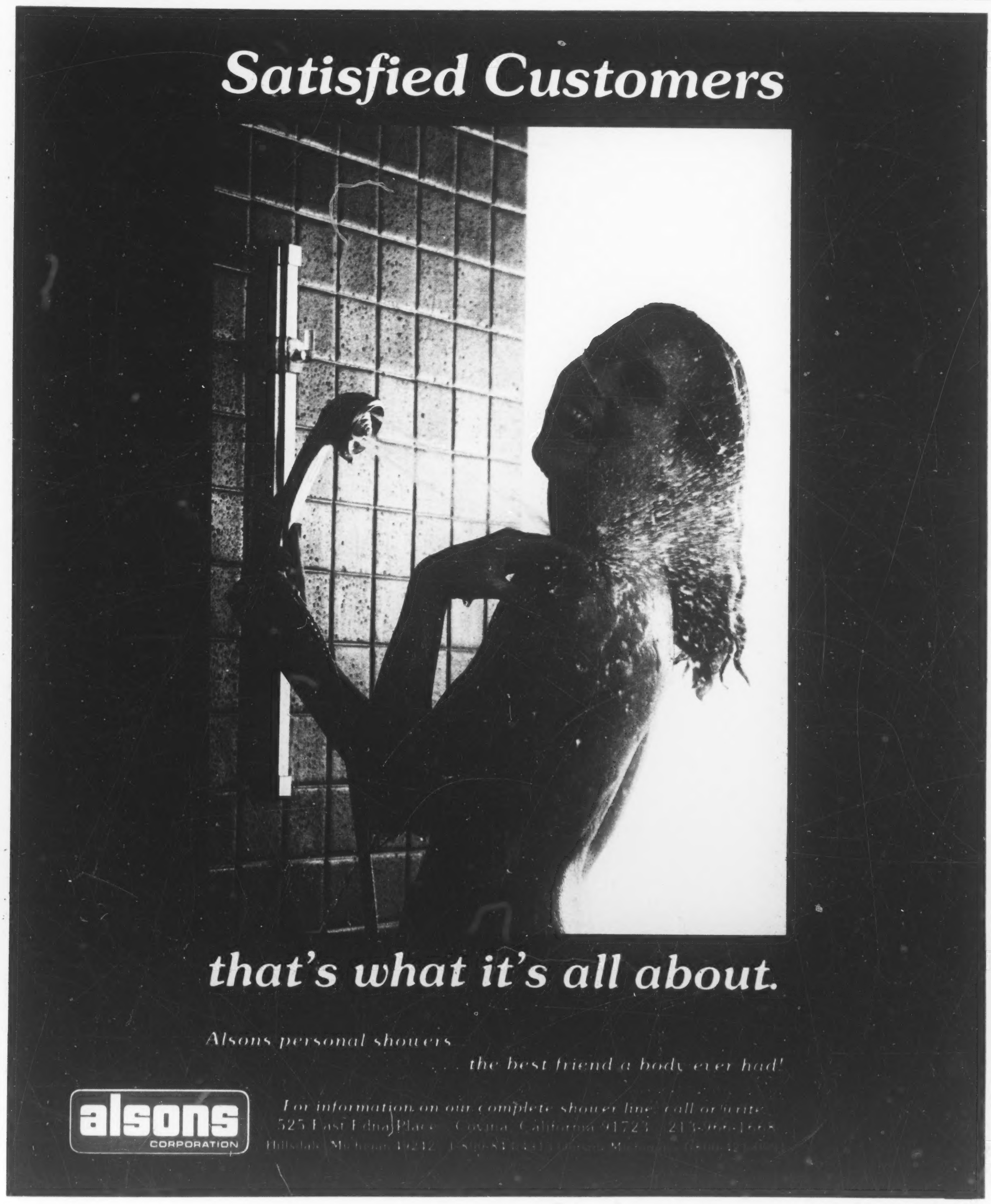
Retailer brand preference:

Wall paneling

Brand	% of retailers naming brand as among their best selling
Georgia-Pacific	38.9%
Champion Int'l	26.3
Abitibi	18.5
Weyerhaeuser	18.5
Plywood Panels	5.6
Masonite	5.2
States Industries	5.1
Ply Gem	4.8
Rose-Burg	3.2
Pluswood	2.8
Pacific Wood Products	2.4

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Home center retailers feel that, for more than any other product category listed in the survey, it is necessary to carry several brands of wall paneling. In light of this, it is not surprising to find four companies dominating the best-selling responses.



THE 1984 NHCN BRANDS REPORT

Aggressive marketing powers faucet success

Two brands manufactured by the same company dominate a retail faucet market in which brand importance is rated high among dealers, who nonetheless do not feel it is necessary to carry a widely diversified assortment of faucet brands in their store.

Peerless Faucet and Delta, the two brands manufactured by divisions of Masco Corp. in Indianapolis, together were named by more than 3 out of every 5 dealers identifying the best-selling faucet brands in their stores for this year's *NHCN* Brands Study, compiled by Leo J. Shapiro and Associates, Chicago.

No other brands— including such well known ones as Sterling, Moen, American Standard, Price-Pfister, Kohler and U.S. Brass' Aqua-Line—were named as best sellers by more than 7% of the participating dealers, although it should be noted that the study is not an assessment of any one brand's market share throughout the industry.

As shown by data in the survey, Masco's marketing of Peerless and Delta is toward two, distinct retail groups. For instance, 40% of dealers in the Northeast named Delta as best selling, whereas Peerless' market penetration was strong in all but the eastern part of the country.

More than 2 of every 5 dealers whose stores do less than $1 million in annual sales identified Delta as a best-selling brand, whereas a phenomenal 66% of those retailers whose companies produce more than $10 million in sales named Peerless, clearly indicative that the big volume home centers are where that company wants its products merchandised.

This dichotomy continues throughout the report, with Delta being named as a best-seller by smaller companies, and Peerless by larger chains in more competitive markets. More than 2 in every 5 dealers with stores of 20,000 sq. ft. or more listed Peerless as a strong faucet name.

The distinctions separating Peerless and Delta are mostly a function of the way each is distributed. Delta, for the most part, is still sold to dealers on a two-step basis, while the Peerless line can be purchased directly, an option most larger chains with buying clout seek from a supplier.

The popularity of both brands in all retail segments also reflects the amount of money Masco spends each year promoting the products, especially its estimated $4 million for television ads. This serves to heighten consumer awareness of the names, which has the effect of making it more necessary for dealers to carry the items in order to satisfy their consumers' needs.

Dealers treat the faucet category quite differently from the way they would, say, paint or tools, in that switching lines of faucets is less frequently done, and the products are less prone to be used as loss leaders to generate store traffic, according to dealer response to the study.

Faucets, as part of the entire plumbing department, tend to be bought from a few supplier sources by dealers. As the study notes, less than 10% of all dealers polled said they have added new national brands to their plumbing departments over the past year, a finding that appears to extend into the subcategory of faucets on the evidence of Peerless' and Delta's market dominance.

This is not to say that other brand names are having difficulty capturing a larger share of the faucet market; on the contrary, several manufacturers—most notably Kohler and American Standard—have had considerable success getting their products into retail outlets that, two or three years ago, did not stock their lines.

Top faucet brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Peerless	15.9%	19.8%	22.7%	65.7%	34.9%	35.1%	42.8%
Delta	43.6	31.9	31.6	7.5	29.2	29.5	15.8
Sterling	13.4	8.6	4.7	2.6	5.6	4.9	13.5
American Standard	16.3	2.7	1.1	11.0	3.5	5.2	18.0

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Peerless and Delta, both manufactured by Masco, showed nearly total domination in brand preference by company and store size. The next two mentions, Sterling and American Standard, rated best among companies with less than $1 million in sales volume.

Retailer brand preference:

Faucets

Brand	% of retailers naming brand as among their best selling
Peerless	34.8%
Delta	26.8
Sterling	6.9
American Standard	6.3
Moen	5.4
Price Pfister	4.5
Kohler	3.2
Master Plumber	2.6
Union Brand	1.3
Aqua-Line	1.2

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

A variety of companies split the lower end of the best-selling category, which Peerless and Delta lead with the lion's share of responses.

However, the study's findings do portray a retail faucet market in which "secondary" suppliers—i.e., those that were named less frequently than either Peerless or Delta—are faced with the challenge of overcoming the high-profile image each of these brand names has in both the dealer's and consumer's mind.

Dealer responses to the study in the faucet category do reveal several interesting details about where other brands besides the two leaders are being merchandised. For example, Sterling Faucet (the lower-priced line Kohler Co. acquired this spring and sells direct to dealers) ranked third among those brand names mentioned as best-selling, and the product showed market strength in the South and West, and among those dealers with stores 20,000 sq. ft. or larger.

American Standard's faucet line also does well in these two

(Continued on page 56)

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THE 1984 NHCN BRANDS REPORT

Fastener market split by regional preferences

The home center market for fasteners is a fragmented one with 30% of all United States home centers not selling fasteners at all. No one brand has national dominance. In fact, together the five leading brands only penetrated 40% of all home centers.

These are all findings from a new *National Home Center News* study of brand penetration in United States home centers, which was produced by Leo J. Shapiro and Associates, Chicago.

National fasteners was mentioned by more home centers than any other single brand but it was still named by only 10.6% of all home centers responding. It was followed in rank by a cluster of three brands. Bostik ranked second in importance being mentioned by 8.4% followed by VSI with 7.5% and the Arrow Fastener Co. with 7.3%.

In fact very little separated the 10 leading name brands which together were mentioned by 3 out of 4 home centers selling fasteners in the United States. However, there was a marked difference in brand penetration within the different regions of the United States.

The South appeared to be the area with least brand penetration and over a quarter of home centers responding did not carry fasteners. Altogether over 15 different fasteners were mentioned as among the best-selling brands in the South, led by Arrow fastener, which was mentioned by 9.7% of all the home centers in the South.

By contrast the Northeast was the most important region for brand penetration. Over 78% of all home centers in the Northeast sold fasteners compared with a national average of just under 70%. The market was dominated by three leading brands: National, Bostik, and the Arrow Fastener Co. Together these three brands were mentioned by three-quarters of the home centers selling fasteners in the Northeast.

Retailers in the Northeast placed far greater emphasis on the number of brands carried than the rest of the country. They said they needed to offer up to six different brands of fasteners, whereas retailers in the rest of the United States found two name brands to be sufficient.

VSI dominated the western home center market and was mentioned by 22.5% of all home centers in this region. Its greatest competitor was Stanley Works, which was mentioned by 11.3% of retailers selling fasteners.

The North Central region was another area where a significant group of home centers, 17.8%, did not sell fasteners. Although National and Bostik were each mentioned by 10% of the regions' retailers they were closely rivaled by VSI, Rockford Products, Handi-Man fasteners, Star Expansion and Arrow.

Different name brands were important in different sectors of the home center industry emphasizing the fragmented nature of the market. National fasteners were more popular with home centers in large metropolitan areas with an annual volume of between $1 million and $3 million, whereas Bostik was strong in home center companies with over 10 units generating sales of over $10 million. VSI was seen to be a strong competitor to Bostik in this same market.

Top fastener brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
National	5.7%	19.4%	8.8%	5.3%	8.8%	14.1%	6.7%
Bostik	8.3	9.1	2.3	16.0	10.8	7.6	1.7
VSI	7.3	0.3	5.6	18.6	5.6	8.3	13.8
Arrow	16.7	9.8	3.3	4.8	7.6	8.2	3.5
Stanley Works	5.7	2.1	3.3	—	2.1	11.1	5.3
Star Expansion	1.5	5.4	10.8	—	6.1	1.6	2.7

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Most brands of fasteners mentioned in the preference by company and store size category showed isolated strengths rather than the across-the-board domination seen by brands in other product categories.

Retailer brand preference:

Fasteners

Brand	% of retailers naming brand as among their best selling
National	10.6%
Bostik	8.4
VSI	7.5
Arrow	7.3
Stanley Works	5.6
Star Expansion	3.9
Rockford	3.5
Handi-Man	2.4
Reed & Prince	2.1
Duralast	1.8
Keystone	1.7
Midwest	1.6
Sharon Bolt & Screw	1.5

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

The fragmentation of the home center fastener market is reflected in no single company gaining a large percentage of best-selling mentions.

Faucets

(Continued from page 54)

geographic regions, and appears to be a brand that larger companies are turning to: the greatest percentage of dealers naming American Standard as best-selling run 20,000-plus-sq.-ft. stores that are part of a chain of 10 stores or more located in markets with more than one million residents. This brand also seems to do well with dealers doing less than $1 million in sales.

Lastly, it should be noted that almost a quarter of the study's participating dealers, and more than a third of those with companies doing between $3 million and $10 million annually, claimed not to be stocking *any* faucets.

That such a large segment of the industry—at least among those who answered the survey—doesn't carry the product category should signal to manufacturers that, despite the heady sales dealers report they get from Peerless and Delta brands, there is obviously still room for aggressive suppliers to capture additional market share, especially from those retail chains that can promise high sales volume.

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THE 1984 NHCN BRANDS REPORT

Lockset brand names vital to draw shoppers

Top lockset brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Kwikset	59.6%	44.9%	62.8%	53.5%	55.1%	58.7%	48.9%
Weiser	38.6	34.8	39.2	41.9	48.6	21.7	19.6
Schlage	13.5	16.4	17.7	12.7	12.0	17.3	25.8
Dexter	7.6	11.3	5.3	9.8	9.5	10.8	13.8
Harloc	1.4	6.2	5.3	9.3	4.8	4.2	8.2

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Top lockset brand preference by company and store size was clearly dominated by Kwikset, which gained the most mentions in every category. The other companies mentioned followed the same trend of dominating the overall ranking they received.

Home center operators perceive locksets as a particularly vital element of their merchandising strategies, according to the results of a recent survey conducted for *National Home Center News.*

Better than 9 out of 10 home center firms keep locksets on their shelves.

The survey, conducted by Leo J. Shapiro Associates, Chicago, revealed that Kwikset was perceived by a majority of respondents nearly 3 out of 5—as a best-selling brand in their stores.

About 1 out of 3 respondents identified Weiser as a best-selling brand, putting it in second place. For Schlage, about half that number—or some 17%—said it was a best seller on their shelves.

One out of 10 home centers named Dexter as a best seller, while 1 out of 20 said the same about Harloc.

The remainder of the category appeared somewhat fragmented. Fewer than 4% of respondents named one of a number of other brands as best sellers. These vendors included Weslock, National, Moss and others.

The penetration of lockset vendors varied substantially by region. Kwikset and Schlage made strong showings as best-selling brands in the Northeast and West. In the North Central states, on the other hand, Weiser made a stronger showing and edged out Kwikset in terms of mentions as best selling by home centers. And, Dexter made its strongest showing in that region.

Weslock clearly has carved out a niche for itself at many Western stores, as 13% of respondents in that region named it as a best-selling brand on their shelves. On the other hand, responses were slimmer for that brand in other parts of the country.

Size of stores in terms of sales area, and size of chain in terms of number of units, had a bearing on the brands specified, in some cases.

Schlage was named as a best-selling brand by nearly 1 out of 4 single store operators, but by only 1 of 10 chains having over 10 units.

Nearly half the companies with stores of under 10,000 sq. ft. named Weiser as a best seller, whilke only 1 of 5 chains with stores over 20,000 sq. ft. did the same.

Home center operators have, in the past, stated that lockset brand name is an important attraction for consumers. Not only do some brands convey an image of durability and strength to consumers, but do-it-yourselfers seem to feel that when they replace locksets, new hardware with the same vendor name will better fit the holes which are already drilled in their doors (*NHCN*, July 2).

The survey showed that, on a scale of 1 to 9, home centers ranked locksets at 5.3 in terms of brand importance to their shoppers, a level that was fifth highest in a field of 19 product categories.

Consumers

Consumers themselves rated lockset brand importance at about the same level in another *NHCN* survey earlier this year.

While home center operators have added new lockset vendors to their store shelves in the past year to better insure "in stock" positions, they also feel, the report showed, that more than two brands would not ordinarily be necessary to serve customers well. With all their responses totaled together, the respondents said an average of 1.7 brands were necessary to meet customer needs, a figure that was significantly lower than other product categories.

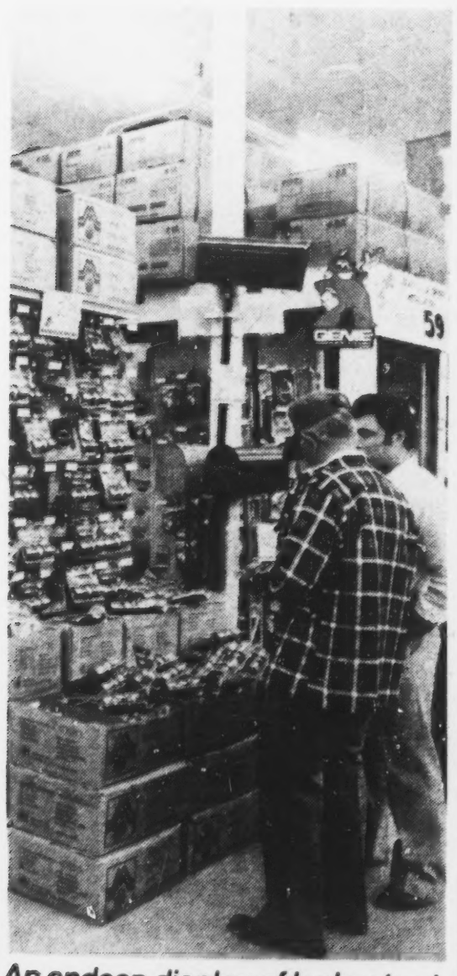
Retailer brand preference:

Locksets

Brand	% of retailers naming brand as among their best selling
Kwikset	55.6%
Weiser	34.6
Schlage	16.5
Dexter	10.3
Harloc	5.1
Weslock	3.5
National Lock	2.1
Yale	1.7
Moss	1.3
S. Parker	1.2
Master Lock	1.0

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

A few companies tended to dominate the best-selling responses for locksets with the remainder somewhat fragmented. Fewer than 4% of respondents named one of a number of other brands as best sellers.



An endcap display of locksets at Home Depot, Orlando, Fla.

NHCN photo

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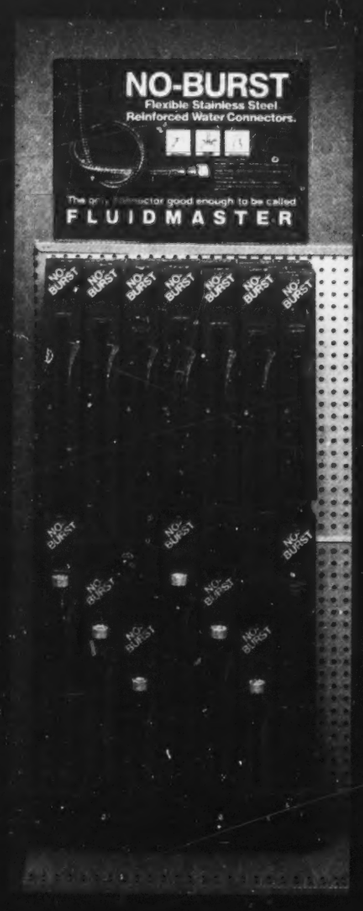

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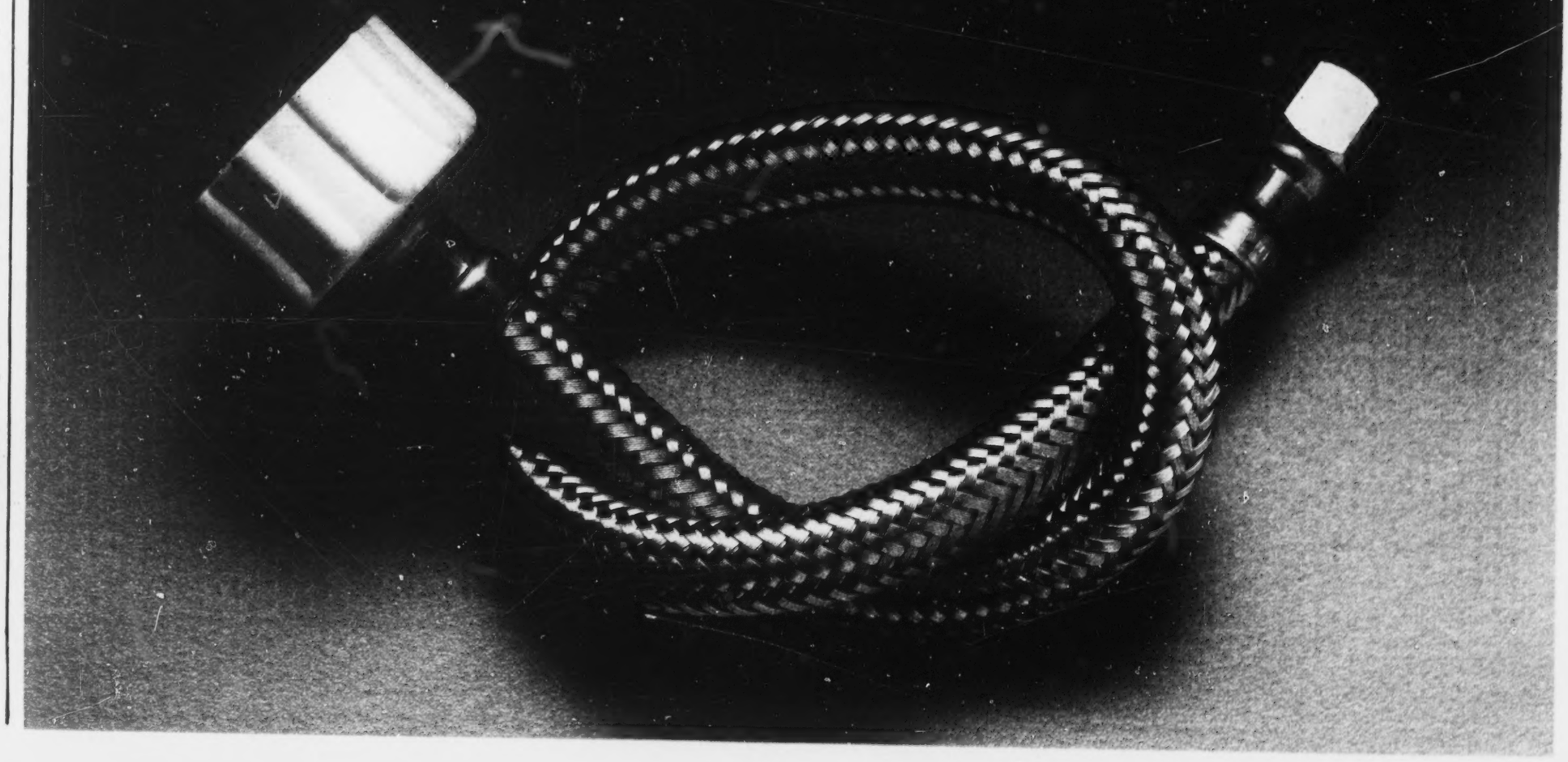

THE 1984 NHCN BRANDS REPORT

Plumbing fixture market lacks brand leadership

No single brand of plumbing fixture appears ready to assume market leadership, as home center dealers see brands as relatively insignificant to their marketing of such items as toilets, tubs, sinks and showers.

Of the 19 product groups evaluated in this year's *NHCN* Brands Study, plumbing fixtures, on the basis of dealer responses, ranked 16th in brand importance to consumer buying decisions. And of the 25 plumbing fixture brands deemed "best selling," none could muster better than 9% of the total dealer responses.

It was not too long ago that most retailers stocked plumbing fixtures on a special order basis exclusively, buying mostly through wholesalers and plumbing specialty houses, and avoiding the high inventory costs inherent in carrying these products on a regular basis.

However, in recent years, more home centers—particularly those with larger selling floors—have increased their square footage allocation to plumbing products by as much as 15% to 20%, in an effort to capitalize on the dramatic increase in DIY bath and kitchen remodeling activity.

If anything, this year's study reveals just how new the product category is for many dealers. Nearly 40% of the survey's respondents claim not to be carrying plumbing fixtures at all. Probably those that are, in some measure, are getting into the category for the first time by experimenting with direct shipment and testing a variety of brands and vendors to see which offers the more profitable program.

Although identified by less than one-tenth of the dealers asked about which brands were best-sellers in their stores, plumbing fixtures manufactured by Kohler Co., Kohler, Wis., ranked No. 1 in the study.

Its competitors continue to assert that it is just a matter of time before Kohler drops its policy of selling to retailers only through distributors. Yet, Kohler appears to have had remarkable success in getting its merchandise into major home centers around the country, especially in Chicago.

The company has also made a conscious effort over the past few years to solicit more retail business through its consumer products division.

A composite look at the kind of dealer carrying Kohler's fixture line, based on percentage responses about its best-selling qualities, shows that Kohler has strengths with retailers in the West; with those running chains doing $1 million to $3 million in sales annually; with two to nine-unit chains, and with dealers whose stores exceed 20,000 sq. ft.

American Standard, the Piscataway, N.J., manufacturer, ranked second behind Kohler in total mentions as a best-selling brand, something its officials hope to change with the company's new DIY fixture program, which began shipment of 17 different products and 160 stock keeping units on Sept. 1.

The program, which was introduced at the National Hardware Show in August, offers these products on a direct ship basis, and is obviously designed to attract larger dealers to its products, something the supplier has been successful doing with its DIY faucets.

However, with only minor variations, it appears that American Standard and Kohler are going after the same kind of dealer—i.e., the larger, higher-volume home center chain—at a time when the dealers are not interested in carrying multiple lines. In the plumbing category overall, fewer than 10% of all dealers in the study said they added new national brands to their product mix last year. And even while these percentages increase somewhat among dealers running larger chains with bigger stores, there still appears to be a marked tendency among dealers to only go with one fixture line.

(Continued on page 64)

Top plumbing fixtures brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
Kohler	5.1%	17.0%	8.8%	6.1%	8.6%	8.6%	10.4%
American Standard	4.3	9.2	12.9	4.6	8.9	3.4	10.7
Briggs	2.9	1.0	7.8	9.6	2.8	12.3	0.5
Artesian	1.4	2.1	4.1	9.6	7.8	1.5	1.7

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

The results of top plumbing fixtures brand preference by company and store size were close, with companies like Kohler and American Standard showing strengths in different market segments.

As president and chairman of the board of Homecrafters, a Birmingham, Alabama based chain of 38 home center stores in the Southeast U.S., Georges Hanzi is a seasoned industry professional. His past success at Handy Dan and Handy City has been repeated at Homecrafters, and today he is expanding with Homecrafters Warehouse stores. Mr. Hanzi has excellent instincts for what retail customers want to buy, and which suppliers can fill those orders. Homecrafters buys the SIGNET BY SWAN hose program. Here's why:

"Our garden hose sales have improved tremendously. Sales were good last year, our first with Swan Hose. Our second year sales have been excellent. We have also seen a healthy increase in gross margin.

We look for a broad selection from which to choose, and SIGNET BY SWAN hose has it. From our point of view, this selection is essential from a supplier. The SIGNET BY SWAN hose line is further enhanced by the 'good-better-best' approach, which is very successful.

Packaging is one of the most important factors in self-serve retailing. You can have a very good product, but if your packaging doesn't attract attention, it won't sell. That's one area where I've seen a lot of improvement in the industry in general. The SIGNET BY SWAN hose packaging is very effective, because it's attention-getting and it explains the product differences to the consumer.

SIGNET BY SWAN hose represents quality in delivery and service. I'm told by our buyer that their delivery is among the best he has encountered in the business. The service department has been very responsive to our needs, and that's important to us.

At Homecrafters, our relationship with our suppliers is key. We've made a lot of friends over the years and I think our past success has had to do with the good relationships we've had. We have a quality image, so it's logical to have a supplier like Swan Hose that can give us that quality."

"Homecrafters' garden hose sales have increased tremendously with SIGNET BY SWAN® hose."

Georges Hanzi, President and Chairman of the Board
Homecrafters Warehouse, Inc.

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Retailer brand preference:

Plumbing fixtures

Brand	% of retailers naming brand as among their best selling
Kohler	9.0%
American-Standard	7.3
Briggs	5.5
Artesian	4.5
Delta	2.9
Carefree	2.9
Plumb Shop	2.4
Norris/NI Ind.	1.9
Gerber	1.9
Stanley Works	1.4
Plaskolite	1.3
Sterling	1.0

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

The lack of brand leadership in the plumbing fixtures market resulted in numerous companies gaining a close percentage of best-selling responses, with no single company exceeding 9%.

THE 1984 NHCN BRANDS REPORT

Plumbing fixture market lacks brand leadership

A variety of plumbing fixtures on display at Lumbermen's, Olympia, Wash.

NHCN photo

(Continued from page 62)

This means that the competition among all brands of plumbing fixtures, and particularly Kohler and American Standard, could heat up considerably, which would be a boon to both dealers and their customers in terms of pricing.

But competition won't come from these two companies alone, as dealers named several other prominent suppliers in the study as among the best-selling in their stores. For instance, Briggs Co., the plumbing fixture division of the Jim Walters group in Tampa, Fla., ranked third on the list with its low-end line of toilets and tubs. Interestingly, though, this brand got no response from dealers in the Northeast or among those in metro markets of one million people or more, even though it showed its greatest strength among dealers with stores in the 10,000-20,000-sq.-ft. range and companies doing $10 million or more in sales.

Artesian's line of fixtures has been cropping up in several of the larger warehouse stores (most prominently, Grossman's Warehouse on the West Coast), and, according to the study, dealers with high-volume companies identified the Artesian line as best-selling more than any other retailer group carrying the Mansfield, Ohio, company's products. The Artesian line was also a best seller among dealers in the North Central states and those with stores of under 10,000 sq. ft. in nonmetro markets.

Ranking fifth as a best-selling brand was Delta Industries, a company better known for its faucet line that makes plastic toilets and tubs. This brand is relatively popular among Western retailers, but appears to have virtually no penetration with larger, multiunit companies.

That Delta was identified at all, points to some of the confusion dealers expressed about the fixture category in general. Several faucet and fittings suppliers' brands—including Plumb Shop, Stanley, Sterling Faucet, Gerber, Peerless—were identified by dealers as best-selling *fixture* names. The survey question asked dealers to name their best-selling brands in "plumbing fixtures other than faucets."

This becomes all the more confusing with a brand like Carefree Bath Products out of New Castle, Pa., which has a fixture and faucet program similar to those offered by Kohler and American Standard. Ranking sixth overall as a best seller, Carefree's product line has made major inroads into the DIY home center market over the past few years (in particular, with Lowe's 240 stores).

It would appear that dealers, both in the study and throughout the industry, don't care much about the distinctions between faucets and fixtures because they are selling them as one category in their stores. Consequently, it would seem incumbent upon fixture manufacturers to better establish their faucet brand as a best seller as a way to get dealers to take on a more elaborate, and more costly, fixture program.

Those brands that have already become well-known as best-selling faucets seem to have a head start with dealers looking to stock plumbing fixtures in their stores.

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THE 1984 NHCN BRANDS REPORT

Retailers stock many caulking/sealant brands

Three vendors have dominated the field of caulking and sealants in terms of "best-selling brands" on home center shelves, even though the market is served by a large number of manufacturers.

When asked what their best-selling name brands were in the caulking and sealant lines, 2 out of 3 home center operators named either DAP/Dow Corning, Macklanburg-Duncan (MD), or General Electric (G.E.).

The retailers were responding to a survey recently conducted by Leo J. Shapiro and Associates, on behalf of *National Home Center News*.

DAP captured twice as many responses as its nearest competitor, MD, in the survey. One out of every 3 home centers mentioned DAP, while MD was mentioned by 18%, and G.E. by 14%.

Fewer than 7% of respondents mentioned Macco, and fewer than 6% mentioned Franklin, as best-selling caulking brands, levels of response only half that given to G.E. And fewer than one in 20 mentioned 1 of 3 other brands: Red Devil, Geocel or Gibson-Homans.

Despite the dominance of a few brands in the industry, home center operators did not seem to feel that brand name was particularly important to consumers. On a scale of 1 to 9, home center judgments averaged out to 4.6, in terms of brand importance, which placed the product 11th in a list of 19 categories.

Home center retailers did seem to feel that multiple brands were necessary on their shelves to meet consumer needs. They stated that an average of 2.6 brands were necessary for this purpose, a level that was higher than any other category surveyed, except for wall paneling with its average of 2.8 brands.

Home centers are apparently satisfied with the number of brands they currently have on their shelves, since few of them increased the number this year.

In many cases, the popularities of various brands vary substantially by region. While nearly half the home centers in the South mentioned DAP as a best-selling brand, the reaction declined to 42% in the West, and to about 1 out of 3 in the North Central states and less than 1 out of 4 in the Northeast.

MD also showed its greatest strength among southern and western home centers. In both areas a little fewer than 1 out of 4 respondents said it was one of their best-selling brands. On the other hand, fewer than 1 out of 5 respondents in North Central states named the brand, and fewer than 4% of respondents in the Northeast did so.

About 1 out of 4 home centers in the Northeast and South mentioned G.E. as a best-selling brand, while less than 10% in the North Central states and the West did so.

Both Macco and Franklin found their strongest support in the North Central states; Red Devil and Geocel felt their greatest strengths in the Northeast; Gibson-Homans attracted few responses outside the West, where less than 1 of 10 respondents said it was a best seller for them.

Brand popularity also varied by size of company, in terms of sales volume.

The larger the company, the less often DAP was mentioned, although it remained strong in those home centers but faced increased competition from MD and Macco. Nearly half of home centers doing under $1 million annually mentioned DAP as a best-selling brand, while fewer than 1 out of 10 mentioned MD and fewer than 1 out of 5 mentioned G.E. Very few mentioned Macco.

For home center companies doing over $10 million, respondents mentioned DAP had dropped to a level of 1 out of 4. Those mentioned MD had risen to about that same level, while those saying Macco was a best seller had risen to a level of more than 1 out of 10.

Franklin found greatest favor at home centers doing between $1 million and $3 million, over 14% of which said it was a best seller.

Top caulking or sealant brand preferences by company size & store size

Brand	Company sales volume: Less than $1 mil.	$1-$3 mil.	$3-$10 mil.	Over $10 mil.	Sq. ft. area in stores: Under 10,000	10-20,000	Over 20,000
DAP/DOW	47.6%	36.3%	38.9%	24.4%	34.0%	36.9%	40.1%
Macklanburg-Duncan	8.4	10.7	20.9	26.5	19.8	17.1	17.1
G.E.	14.5	20.3	9.1	12.5	12.2	11.5	20.1
Macco	1.4	2.1	0.6	11.4	3.9	12.1	2.0
Franklin	1.5	14.3	3.3	5.7	6.5	6.2	1.6
Red Devil	3.6	2.6	4.1	0.5	5.9	4.7	0.8
Geocel	2.8	3.4	6.2	6.0	6.4	2.4	2.7
Gibson-Homans	—	3.1	6.4	4.6	5.5	1.7	—

Numbers are % of retailers surveyed in each category who chose the specific brand

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

Smaller volume companies overwhelming preferred DAP and G.E. brand caulking or sealants, while larger volume operations opted for Macklanburg-Duncan.

Retailer brand preference:

Caulking or sealants

Brand	% of retailers naming brand as among their best selling
DAP/DOW	29.0%
Macklanburg-Duncan	17.5
G.E.	13.5
Macco	6.2
Franklin	5.7
Red Devil	4.2
Geocel	4.1
Gibson-Homans	3.2
Superior Sealants	2.9
3C	2.3
UGL	1.7
Armstrong	1.2

Source: *National Home Center News;* Leo J. Shapiro & Assoc. 1984

DAP, Macklanburg-Duncan and General Electric were named most often by retailers as their best-selling caulking and sealant lines.

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3 NEW STORES UNVEILED IN DALLAS:
Elliott's, Payless, Bowater—pp. 28-40

National
Home Center News®

Vol. 10, No. 22 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Oct. 22, 1984

Diamond repositioning; seeks 'serious DIYers'

Will retrofit 96 stores in two-year program; consolidates purchasing

By Brad Altman
West Coast editor

DALLAS — Diamond Lumber, the $300 million contractor-oriented retailer bought last year by Michigan General, is about to launch a chainwide retrofit program that will alter the look, and virtually double the selling area of all 96 of its stores by 1986.

The massive remodeling campaign is part of a new attempt by the chain to reposition itself in the building supply market by going after "serious" do-it-yourselfers as a source for sales and profit growth.

The ultimate goal, according to president Jerry Rex, is to shift the balance of Diamond's business from 85% contractor/15% consumer to a 65%/35% contractor-consumer mix.

Significantly, the chain has also taken major strides in the past several months toward consolidating its purchasing activities, as part of a broader effort to centralize the chain's management. Prior to Michigan General's acquisition of the chain from Diamond International Sept. 29, 1983, for $127.4 million, the company's stores were operated more or less autonomously with buying handled regionally.

"The purchasing power of Diamond was greatly underused," observed Huey Stafford, vp-merchandising. The chain reportedly has already reduced its buying costs by more than 5% since July by taking fuller advantage of volume buying, according to Stafford.

Diamond Lumber, which ranked 11th in sales last year based on *NHCN* estimates, with sales of $306 million, is a latecomer among heavily contractor-oriented chains to begin taking more centralized, retail-minded steps toward future growth. And with stores in 15 states from Maine to California, 60% of which are in rural communities, it faces some unique challenges.

But Diamond's rural niche is exciting to company execs because of what they call the "rural renaissance" occurring in the country—twice as many homes were built in rural areas

(Continued on page 74)

Diamond Lumber president Jerry Rex (right) and store operations vp Earl Christenson study model of Home Gallery being added to all stores in the chainwide remodeling program. NHCN photo

Mr. HOW: no place for home in its name

MARGATE, Fla. — There's The Home Depot, HomeClub, Homeowner's DIY, Home Centers of America, Homecrafters Centers and even the ill-fated Home Team, not to mention all the chains with "Home Center" on their store signs and in their logos.

Home may be where the heart is, and there may be no place like home; but in retailing, "home" has become so overused that consumers may have trouble telling one company's newspaper or TV ads from another's in a market where two chains are vying for the home field advantage.

Enter HomeOwner's Warehouse, the three-unit company here that is looking to break into seven new markets with 11 stores by year's end, and plans an equal number of new store openings, several in new markets, in 1985.

Instead of trying to challenge other stores sporting "Home" in their titles, the company has opted to change its name to "Mr. HOW Warehouse."

(Continued on page 73)

Homecrafters' 30-store growth rolls on with 2nd Nashville whse

By Phillip M. Perry
NHCN associate editor

NASHVILLE — Homecrafters Warehouse held the grand opening on Sept. 20 for its second warehouse store in this market.

"Now we are fully positioned in Nashville," said Steve Wiley, executive vice president for the chain, which is based in Pelham, Ala., and now has seven warehouse units.

"Nashville has been an undeveloped market," he added. "But when the four warehouse stores announced for this market all open—that should about do it." HomeOwners Warehouse is currently constructing a 70,500-sq.-ft. warehouse store in Goodlettsville, a suburb just north of Nashville, and is reportedly negotiating for a site for its second such unit. Homecrafters Warehouse opened its first unit in the market on July 19.

The new store is part of a larger plan by the company to establish a chain of 30 warehouse stores within three years. New stores should do close to $12 million their first year, and between $17 million and $18 million by the end of their third year, according to Wiley.

(Continued on page 73)

NEWSBREAKS

LOWE'S OPENING 54,000-FT. STORE. Lowe's is expected to unveil a new 54,000-sq.-ft. test store in St. Matthews (Louisville) Ky., next month. The new store, 80% larger than Lowe's current prototype, is intended to develop merchandising and design strategies for future large metro market stores. *NHCN* has also learned the North Wilkesboro, N.C., chain will open a 350,000-sq.-ft. distribution center in Atlanta late next year.

INSIDE:

ACE HARDWARE has joined other prominent retailers and suppliers in a new AT&T product discount program..... **Page 2**
HOME CENTER INDUSTRY is likely to feel the affects of new Government deficit trimming actions: **Washington View 8**

Paint sundries market primed for import competition

By John Caulfield
NHCN senior editor

NATIONAL REPORT — The paint sundries market is heating up, as domestic suppliers slash margins, improve their products' packaging and even incorporate lower-end imports into their mix to counter the impending pressure they see coming from foreign-made applicators and other sundries.

Dealers have already begun to take advantage of this competitive atmosphere by remerchandising their sundries departments to better showcase these items in a way that differentiates "good," "better" and "best" quality levels and price points for consumers.

"It's hard to get someone who wants to buy a $3 brush to step up to $9 if he or she doesn't know why one is priced higher," said Diane Mullins, a buyer for the 13-store Handy Andy in Chicago. Recently, this chain redid its brush and roller program to make these quality and price distinctions clearer, and has seen its sales double.

"Tremendous" sales gains in paint sundries have also been seen at the 24-unit Busy Beaver in Pittsburgh, which buyer Dave Smith attributed primarily to "vastly improved" packaging that explains both DIY use and quality.

In addition to the contribution from packaging improvements, sundries sales at Busy Beaver have been enhanced by the chain's warehousing brushes and rollers and its buying almost exclusively from one brush vendor, the EGI division of United Coatings, which have reduced the chain's out-of-stock problems.

Up until several months ago, the six-unit Masten Lumber in Milford, Del., was buying its sundries from Cotter & Co., the Chicago wholesaler, from which "the department was not getting the kind of attention we wanted," said Grace Greenlee. "Selling paint sundries takes a lot of retail knowledge, and we needed our people to be trained to instruct consumers, who otherwise would shop at a specialty store."

Masten Lumber turned its sundries program over to the Felmor Corp., the Baltimore-based wholesaler, which suggested that each store's department be standardized, and that a third more stock keeping units be added to its mix, focusing on national brands.

As part of its newly revamped department, Masten Lumber carries some imported China bristle brushes and roller frames at the low end. But Greenlee said that, whenever possible, the chain "steers away" from imported sundries. "I've been reviewing different brushes for over a year, and the imports at the low end just can't do the job," she said. "Like most customers, I hate to paint and want an applicator that's going to do the job right the first time. Mostly, the imports don't stack up."

Efforts by dealers to remerchandise their departments go with single sourcing and emphasize higher-end goods are seen by domestic suppliers as factors they can capitalize on in their attempts to thwart any further erosion in their market share by sundries made overseas.

So far, imports' market pene-

(Continued on page 17)

Scotty's warehouse store in Tampa, Fla., displays brushes, applicators and sandpaper on a wall alongside shelves of paint. NHCN *spotlights* **Paint & Sundries, pp. 17-26.**

NHCNews Briefs

Industry Update

National to move exec offices

SANTA ANA, Calif. — National Lumber plans to move its executive offices here to a 23,000-sq.-ft. suite of offices in the nearby city of Fountain Valley to make more space available for the chain's distribution center, according to president Mel Jaffe.

The move, expected to take place early next year, involves about 80 headquarters-based employees. The parking lot in the Santa Ana facility will be used for outside lumber storage, Jaffe said. The Fountain Valley site formerly was a gymnasium that is currently being remodeled.

Ace DC ground breaking set

LA CROSSE, Wis. — Ace Hardware will break ground in November on a 350,000-sq.-ft. distribution center, located on 22 acres in the Airport Industrial Park here, that will service 320 of its dealers and, according to company officials, "take the pressure off" its Toledo, Ohio, and Addison, Ill., facilities.

The La Crosse DC, the 12th for the 4,400-member hardware wholesale co-op based in Oak Brook, Ill., will carry 38,000 stock keeping units and $10 million in inventory at cost. The facility will be manned by 100 employees, and is expected to open in the fall of 1985.

In January of next year, Ace will open its 365,000-sq.-ft. DC in Little Rock, Ark., on a 28-acre site in the Maumelle Industrial Park. This facility, for which ground was broken on March 14, is expected to hire 90 workers, and stock the same amount of merchandise and inventory as the La Crosse facility.

It will service 370 Ace dealers in Arkansas, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and part of Texas.

Ace officials also note that the company, which began shipping from its 315,000-sq.-ft. Yakima, Wash., site in January, is looking all the way across the United States at a possible distribution facility in New England, although no specific locations have been chosen.

Wickes settles stockholder suits

SANTA MONICA, Calif. — In the aftermath of its emergence from Chapter 11 proceedings under the bankruptcy law (*NHCN*, Oct. 8), Wickes Cos. announced last month that former shareholders will receive $32 million in a settlement of class-action suits against the company.

The class action suits were filed in early 1982 by former shareholders of Gamble-Skogmo Inc., which merged with Wickes in 1980, and by Wickes' stockholders and creditors. They had claimed that Wickes' former management had made misleading statements to conceal the company's deteriorating financial condition.

The plaintiffs in the lawsuits will receive the $32 million by Feb. 1, 1985, Wickes said. Wickes will actually only pay a small amount of the settlement, with the bulk to be paid by several insurance companies.

There were a variety of lawsuits, subsequently consolidated, which originally had sought more than $100 million in damages. The plaintiffs were thousands of individuals who acquired Wickes' stock between Aug. 12, 1980, and April 23, 1982, the day before Wickes filed for Chapter 11.

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Ace joins retailers and suppliers in AT&T product discount plan

NEW YORK — The 4,600 independent dealers belonging to the Ace Hardware buying cooperative will soon be among thousands of retailers across the country taking advantage of a new product discount program that offers consumers credits based on their usage of AT&T long distance service.

Called "AT&T Opportunity Calling," the program has enlisted nearly 100 manufacturers, including such home improvement industry suppliers as Black & Decker, Armstrong and Stanley, who are offering discounts on their products in a catalog mailed to nearly 25 million AT&T customers.

"Opportunity Calling could be beneficial to all our dealers, providing a means for heightening the visibility of a wide variety of our products to consumers," said Frank Szymanek, Ace Hardware's merchandising vp, at a press conference at the Pierre Hotel here earlier this month. Representatives from Ace, the first home improvement company to join the program, Revere Ware, B. F. Goodrich and Casablanca Fan Co. were on hand to help AT&T, and its ad agency, Burson-Marsteller, kick off the Opportunity Calling program in time for the beginning of the Christmas selling season.

Szymanek said members of the Oak Brook, Ill.-based co-op are currently being notified on how to implement the program and how to process the Opportunity Calling savings certificates that customers bring to the stores.

Dealers would then be encouraged to hang window banners and to utilize point-of-purchase displays to make consumers aware that "Ace Hardware stores welcome the redemption of Opportunity Calling savings certificates," said Szymanek.

AT&T is providing promotional support with a $10 million advertising campaign that includes network television spots and ads in prominent consumer magazines, such as *Good Housekeeping*, *Readers Digest*, *Newsweek*, *People* and *TV Guide*. In addition to point-of-purchase materials, AT&T also provides sales support in the form of employee training brochures and a videotape presentation.

(Continued on page 74)

Scotty's posts robust gains in fiscal '84

WINTER HAVEN, Fla. — An improved economy, coupled with a more aggressive expansion policy and the offering of an expanded product line, were the main factors identified by Scotty's management for the chain's robust sales and earnings gains in fiscal 1984.

The release last month of its annual report for the year ended June 30 also reveals that the 110-unit chain will be experimenting with larger prototype retail outlets, and plans to devote more of its efforts toward the manufacturing end of its business and the training of its personnel over the next 12 months.

Scotty's saw its new income for the fiscal year skyrocket 60% to $18.1 million, or $1.39 per share, from revenues of $424.5 million, representing an 18.1% increase. Both sales and earnings figures are the highest in the company's 60-year history.

Sixty-two per cent of Scotty's volume came from consumer purchases during this period, with another 30% being derived from contractor sales. The remainder was generated by the company's commercial, export and mail-order businesses.

However, the chain made strides last year toward attracting a wider retail customer base by increasing its stock keeping units 20% to 12,000, even though total inventory, based on LIFO accounting procedures, rose only 11% to $69.8 million for the fiscal year.

The chain's total sales transactions were a record 18.6 million, or 12% above fiscal 1983, and each store averaged $4 million in sales. Sales per customer were $22.65, and a typical 39,000-sq.-ft. Scotty's store did $113.76 per square foot.

Scotty's is looking to generate more volume out of its units, and over the next few months will be opening prototype stores of 49,000 and 42,000 sq. ft., the latter to be used in smaller markets. Its first 49,000-sq.-ft. unit is scheduled to open in the Jacksonville-Mandarin section of Florida this fall, and the company plans to open three more units, and replace four existing stores, in the coming year.

In fiscal 1984, store count grew to 110 from 102 units the previous year, including the opening of three Scotty's Hardware stores, ranging in size from 8,000 to 12,000 sq. ft. Company officials report satisfaction with the sales results coming from these smaller units.

Scotty's placed itself on firmer financial ground during the past fiscal year, as it reduced its long-term debt 49% to $16 million, mostly as a result of redeeming its 9.75% debentures issued in March 1981, and converting them into common stock this April. The company also has more than $20 million in cash and securities remaining from its December 1982 public stock offering.

Its return on assets for the fiscal year was 10%, compared with 8.2% and 8.5% for the prior two fiscal periods.

In the immediate future, Scotty's is building new units in Ocala and Spring Hill, and relocating its St. Petersburg, Fla., site.

A point-of-sale computer system is currently being installed into all Scotty's stores, with 30 units having received the system by September of this year. The company is also building a 24,000-sq.-ft. data processing center in its corporate headquarters.

Also at the retail level, Scotty's planned to step up its ad-

(Continued on page 6)

Existing single-family home sales

(in thousands)

Source: Nat'l Assn. of Realtors

p = preliminary r = revised

Existing single-family home sales in August fell for the fourth consecutive month to 2.72 million units, seasonally adjusted—a 1.8% decrease from July, according to the National Assn. of Realtors.

The biggest decrease occurred in the Midwest, where the seasonally adjusted annual rate fell 6.7% to 700,000 units. Home sales in the West rebounded in August by 6% to 530,000 units, after falling some 15% the previous month.

The median sale price of an existing single-family home in the United States dipped $200 in August to $74,300.

Chase-Pitkin furthers saturation of Rochester

By Phillip M. Perry
NHCN associate editor

PENFIELD, N.Y. — Engaged in a new effort to obtain a firmer foothold in northwestern New York state, Chase-Pitkin opened its largest store to date in this eastern suburb of Rochester on Sept. 14.

The store incorporates new features such as bulk stacking of products, more imported merchandise and lower overall prices than the company's previous stores, and bar coding and wanding for all 30,000 stock keeping units at checkouts.

The new store, the 11th in the Rochester area chain, has 45,000 sq. ft. of display space and a 15,000-sq.-ft. semienclosed area for outdoor garden and nursery products. The chain's largest store previously was a 40,000-sq.-ft. unit, with 15,000 sq. ft. of semienclosed area, in Henrietta, N.Y.

"This store helps us complete the ringing of the city," said Underwood. "Penfield is a growth area in the region and has a lot of new housing."

Chase-Pitkin, whose annual sales are estimated at over $40 million, plans to build one or two additional stores in Rochester, a store in Syracuse within the next year and stores in smaller towns around Rochester in the next three years. Underwood did not reveal the total number of stores planned by the chain.

The chain's newest store is seen as a prototype for future Chase-Pitkin stores, in the areas of merchandising and the use of bar codes, according to Underwood, who said that "the goal of the new merchandising of the store is to strengthen our position in the minds of the consumers."

In particular, Underwood said the new store had an "entirely new promotional look" for the chain, accomplished through the use of H-frame racking to create a "bulk atmosphere" that projected a low price image for customers.

Underwood added that the actual prices of Chase-Pitkin merchandise had been reduced at the Penfield store for the first time, and that the lower prices had been rolled out, concurrently with the new store opening, to the other 10 units in the chain. Underwood did not specify how much lower the overall pricing had been reduced.

Lower prices had also been achieved, said Underwood, through the stocking of more imported merchandise.

"More and more of our competition has been adding imported merchandise in order to offer customers lower prices," said Underwood, adding that Chase-Pitkin has started doing the same thing in response to what has become a more competitive marketplace.

The Rochester market now has seven Grossman's, five K mart's, three Sears, three Gold Circle's and two 84 Lumber's.

The company plans to establish the same bar code ticket and wanding system in its other 10 stores as it has installed in the Penfield unit. However, Underwood noted there would be some delay getting the system going in the other stores. "The main hold-up is getting all of the inventory labeled with bar coded tickets," he said.

"The ultimate purpose for bar coding is to speed customers through checkouts and to eliminate errors on the part of cashiers," said Underwood. Using the new system, the cashier need only pass a wand over the bar coded ticket, and the point-of-sale terminal automatically prints the stock keeping unit number and price on the customer's receipt, and keeps track of the customer's total transaction.

Underwood added that the new bar coding system would also provide an up to date report on what was selling best during special sales.

Eighteen chains top $300,000 in half-year advertising figures

NATIONAL REPORT — More home centers spent over $300,000 on TV advertising in the first half of this year than ever before, as total home center TV ad expenditures for the "top 20" chains increased 25% during 1984's first six months, compared to the same period last year.

The Home Depot now joins Sutherland Lumber and Payless Cashways with half-year TV ad expenditures exceeding $1 million. The Payless Cashways chain, including Payless Cashways, Furrows and Lumberjack, spent $2.8 million on TV advertising over this period. (The Television Bureau of Advertising lists Payless, Furrows and Lumberjack separately on its ranking of the top 20 advertisers.)

During 1984's first half, Home Centers of America, West Building Materials, 84 Lumber, Handy Dan and Handy Andy joined the "top 20" ranks for the first time, according to the Television Bureau of Advertising (TVB).

New York-based TVB's figures come from data supplied by Broadcast Advertisers Reports (BAR). This organization monitors the top 75 markets in the United States, which totals 85% of TV's advertising dollar volume, according to TVB spokesman, Bob Grebe.

(Continued on page 43)

First half 1984 TV advertising expenditures

Chain	Expenditures Jan./June '84	Jan./June '83	% change
Payless Cashways (total)	$2,763,200	$2,526,900	+ 10
Payless Cashways	1,246,400	1,307,400	– 5
Furrows	1,128,400	1,007,300	+ 12
Lumberjack	388,400	212,200	+ 83
Sutherland Lumber	1,679,600	1,455,400	+ 15
Home Depot	1,302,500	877,800	+ 48
National Lumber	925,000	711,800	+ 30
Scotty's	886,700	550,800	+ 61
Hechinger Lumber	804,200	547,100	+ 47
Builders Emporium (Wickes)	774,400	1,380,200	– 44
Lowe's	751,500	630,300	+ 19
Plywood Minnesota	708,400	582,000	+ 22
Ole's Home Centers	650,700	379,900	+ 71
Home-Pro	599,300	84,600	+608
Mr. Goodbuys	516,800	378,500	+ 37
Menard Cashway	430,700	253,300	+ 70
West Building Materials	373,400	43,200	+764
Scott's	360,500	210,100	+ 72
84 Lumber	336,600	86,900	+287
Handy Dan	325,400	165,900	+ 96
Handy Andy	320,900	—	—

Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data; *NHCN* chart

More home centers spent above $300,000 on TV ads than ever before during the first half of 1984. Overall total TV ad expenditures for the first half of this year was up 25%.

Home Lumber is modifying its computer system to provide faster credit authorizations for its large commercial accounts. The names of people authorized to charge purchases appear instantly on computer screens when called up by employees. Courtesy Aid in Management

Independent's info needs spark software advances

By Marcia Spires
Special to NHCN

LAS VEGAS — Until a year ago, Home Lumber Company, the $25,000,000 independent, owned by 12-store A. C. Houston, functioned without computerized information processing. Yet, from what its employees have learned since computerizing, the operation has been instrumental in creating a new software program enhancement that will soon be available to other home center retailers.

Once Home Lumber computerized its operations, it found that customer service improved and accounts receivable were under better control. But one area still proved troublesome, because of demands peculiar to its large volume commercial accounts, which, along with contractor accounts, make up 80% of their business volume.

According to Terry Ono, general manager, "The root of the problem is that in our particular business, we sell buildings materials to many large hotels and casinos. For instance, the Hilton has a list of 30 to 40 people authorized to sign charge account bills. To check the authorizations, we used to need an in-

(Continued on page 73)

Long Island independent enters northern N.Y. suburbs

By Linda Lynton Carnevale
NHCN field editor

HAVERSTRAW, N.Y. — General Building Products opened its first store outside of its Long Island market, here in this northern suburb of New York City, as part of the new strategy that company executives expect will double total volume by the end of the year.

General Building Products—founded by president Bruce Meltzor in 1979 when he bought an old Triangle Pacific store in Medford, Long Island—reaped $17 million in sales last year. The four-unit company's sales are expected to reach $30 million this year.

However, about 80% of last year's volume came from contractors, so General Building Products has been aggressively chasing more retail sales by running retail print ads and radio spots on an ad budget that was increased 25% this year.

Now, a second step toward gaining more retail customers has been made by the opening of its new store here.

In this intensely competitive market, that could be seen as quite a tough proposition. The Rockland County/Westchester market area, north of metropolitan New York City, already has about 30 home centers and retail lumber and hardware suppliers based here, in addition to the units from large chains like Channel.

The Long island retailer arrived as an unknown entity to local consumers, for whom Long Island hardly exists due to the presence of New York City between the two areas.

Consequently, the company spent $50,000 on a grand opening on Sept. 22, that its executives felt have made the local people aware of its existence.

A local radio station broadcasted live from the store; sweepstakes were held for a host of prizes including a trip for two to Disneyland and a free kitchen; New York Giants linebacker Lawrence Taylor signed autographs; a jazz band and others performed as part of the day-long grand opening ceremony.

In total, 5,000 people attended the festivities, many of whom signed the sweepstakes cards giving the company access to demographic information.

These consumers also spent $15,000 in the 2,000-sq.-ft. store, which is expected to reap sales of $6 million in its first year. It opened in May, and had reaped $4,000 to $5,000 in daily sales on a customer base that has been 50/50 contractor to retail.

The main, Medford, store on Long Island already has such a customer distribution and reaped $12 million in sales last year, with the Northport and Hicksville stores—the latter opened last year—being primarily retail-oriented.

Despite its small size, the new store carries 14,000 stock keeping units. But much of this inventory is kept in 75,000 sq. ft. of warehouse facilities found in the adjacent five-acre lumber yard. The store had originally

(Continued on page 73)

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Entertainment was the front-page theme of flyers used to announce the grand opening of General Building Products' first store in the Rockland County/Westchester area, north of New York City.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Pay 'N Pak	8/31-2nd qtr. 8/31-6 mos.	$ 87,802 162,239	$ 74,545 128,430	17.8 26.3	$ 3,842 6,228	$ 3,092 4,660	24.3 33.6
Rickel Home Centers	7/28-4th qtr. 7/28-6 mos.	105,392 173,492	83,976 137,809	25.5 25.9	— —	—	— —
Scott's Seaboard	7/28-2nd qtr. 7/28-6 mos.	11,196 20,466	10,556 18,846	6.1 8.6	447 466	1,001 1,157	(55.3) (59.7)
Scotty's	6/30-4th qtr. 6/30-1 yr.	114,021 424,537	107,023 358,982	6.5 18.3	5,824 18,059	4,176 11,316	39.5 59.6

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 10/2	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		37¼	45	32½	12
Edison Bros. Stores (NYSE) [Handyman, Homer's]		35	43⅜	33⅛	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5	15¼	4¾	—
Forest City (AMEX)	A	20⅛	21	13⅝	—
	B	20⅜	22⅜	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42¼	49⅜	36½	11
Home Depot (NYSE)		12½	29½	12⅞	25
Lowe's (NYSE)		21¾	26⅜	16¼	14
Michigan General (AMEX) [Diamond Lumber]		7⅛	14	4⅝	71
Pay 'N Pak (NYSE)		16	20	12¾	13
Payless Cashways (NYSE) [Furrow]		15¾	27	13½	13
Scotty's (NYSE)		14¾	16¾	11⅜	11
Southwest Forest Industries (NYSE) [Knox Lumber]		17	22½	12¼	—

Nasdaq—over-the-counter stocks

		As of 10/2	52-week High	52-week Low	P/E Ratio
Color Tile		16⅛	18¼	13⅝	—
Hechinger	A	19	24¼	13½	—
	B	19¼	24½	14	—
Homecrafters Warehouse		9½	17½	9½	—
National Lumber		5¼	13¼	5¼	—
Pay 'n Save		23¼	29¼	14⅜	—

Over-the-counter stocks

	As of 10/2 Bid	As of 10/2 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18¾	—	25¼	17
Hines Lumber	42¼	43½	44½	25½
Scotts Seaboard [Scott's]	1⅞	2⅜	4¾	1⅜
Wolohan Lumber	5	5⅛	7½	4

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FINANCIAL NEWS

Sales, earnings skyrocket in robust year at Scotty's

(Continued from page 5)

vertising and in-store personnel training, and hopes to see improvement in its overall operations as a result of forming an Operations Committee, on which sits several of the company's key executives.

On a more long term basis, the company plans to expand its direct import program from the Orient, and will be having more of the products it sells dropped shipped directly into its units. Last year, products shipped through this method of distribution accounted for 38% of the chain's sales.

However, Scotty's also introduced an automated flow rack system in its 860,000-sq.-ft. central distribution center earlier this year, and it appears likely that the chain will continue to handle the bulk of its goods out of that site, and the second DC it plans to build in Deerfield Beach.

In addition, Scotty's plans to open a 208000-sq.-ft. roof truss and millwork plant this fall, replacing the older facility at its central DC location which produced 5.7 million board feet of roof trusses nad $3.7 million in sales.

The new facility will also prefabricate interior and exterior prehung doors and bathroom vanities. In fiscal 1984, Scotty's made over 134,000 doors and 10,500 vanities.

Pay 'N Pak posts 24% earnings gain in 2nd qtr.

KENT, Wash. — Pay 'N Pak reported earnings of $3.84 million, or 38¢ per share, on sales of $87.8 million, for the second quarter ended Aug. 31. Earnings increased 24% over earnings in the same period in 1983 and sales rose 18% over the comparable period.

David Heerensperger, chairman and ceo of the 102-unit chain, said store-for-store sales at units three years old or older increased 11% in the second quarter.

For the six month period, revenue was $162.2 million, a 26% increase over the previous year's first half, and earnings were $6.22 million, an increase of 34% over the same period a year earlier.

During the quarter, the Yuba City, Calif., store was converted to Pay 'N Pak's new warehouse format. Warehouse conversions are scheduled to be completed by the end of the fiscal year at existing stores in Caspar, Wyo., Grand Junction, Colo., Billings, Mont., Fairbanks, Alaska, Kennewick, Wash., and San Jose, Calif.

Those conversions will bring to 18 the number of Pay 'N Pak stores operating under the warehouse format.

Lowe's August sales rise to set company record

NORTH WILKESBORO, N.C. — Lowe's Companies reported record sales for the month of August totaling $140 million, a 21% increase from the previous year and the largest single month in the company's history.

Contributing to the increase were $72.5 million in retail sales, up 28% from 1983's figure of $56.5 million.

Professional sales gained 13%, which the company attributed to "normal weather and firming of some commodity prices."

In related news, Lowe's opened its 242nd unit in Denbigh, Va., on Aug. 31.

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LUMBER REPORT

Indicator effect on interest rates could spark lumber market rally

NATIONAL REPORT — Lumber prices could rebound somewhat in the near future if interest rates begin to decline as the economy slows down.

Two successive months of housing start drops in July and August, which ended with a total of 1.54 seasonally adjusted units, is only one indication that the economy is cooling off. The Gross National Product has also dipped since the first half of the year.

These changes, according to *Palmer's Lumber and Plywood Forecast*, could "spark a rally in cash lumber prices."

However, the report notes, the continuing high level of lumber production in the United States will probably limit the duration of the price rebound.

Looking further out, to next year, production might be expected to ease, with a slack in demand anticipated because of a drop in housing starts.

The Western Wood Products Assn. recently predicted 1.65 million starts for 1985 compared with the 1.8 million units that it expects to be started this year.

As a result, the WWPA suggests that lumber demand for residential construction should fall 8.2% to 14.5 billion board feet. About 40% of lumber consumption is expected to go into housing next year.

Home center dealers are expected to continue the cautious and savvy buying that has characterized their participation in the lumber market for the past few years.

And repair and remodeling consumption of lumber is expected to continue its healthy rate of growth. The WWPA expects a 1.9% increase to 8.4 billion board feet in lumber consumed by this segment of the market.

This year about 8.2 billion board feet of lumber are expected to go into repair and remodeling, which is a 3.5% increase over the 7.9 billion board feet used in 1983.

In contrast, the WWPA expects total lumber consumption for 1985 to be off about 2% from this year. Total consumption in 1985 is projected to be 36.7 billion board feet compared with an estimated 37.4 billion board feet this year.

These numbers, then, reflect the WWPA's view of lumber consumption through next year. In the near future, whether prices rebound somewhat as suggested by *Palmer's*, remains to be seen. One figure supplied recently by the WWPA provided insight into why prices have been so low

Overproduction has been the reason offered by many. And those who point to overproduction often note that the lumber industry gained in efficiency during the last recession, allowing it to break even at low prices and keep production going.

There are countervailing arguments that say high stumpage prices have eliminated any efficiency gains. But the gains are there, according to the WWPA.

In 1979, "it took 4.5 men to produce 1 million board feet of lumber a year," a WWPA release states. "Today it only takes 3.43 men to produce the same amount, a 31% increase in productivity."

FUTURES

Two weeks ended Sept. 27, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov. '84	134.50	125.30	128.40	127.80	4,009	229.00	120.20
Jan. '85	145.30	135.50	138.80	138.30	2,017	221.30	130.30
March	155.20	146.30	149.60	148.40	947	220.40	139.30
May	163.20	155.30	157.50	157.50	256	225.00	147.00
July	170.50	164.00	168.50	167.50	294	230.50	153.00
Sept.	174.90	170.00	172.00	171.50	198	197.50	157.50
Nov.	176.50	173.00	173.00	174.00	67	186.10	167.30

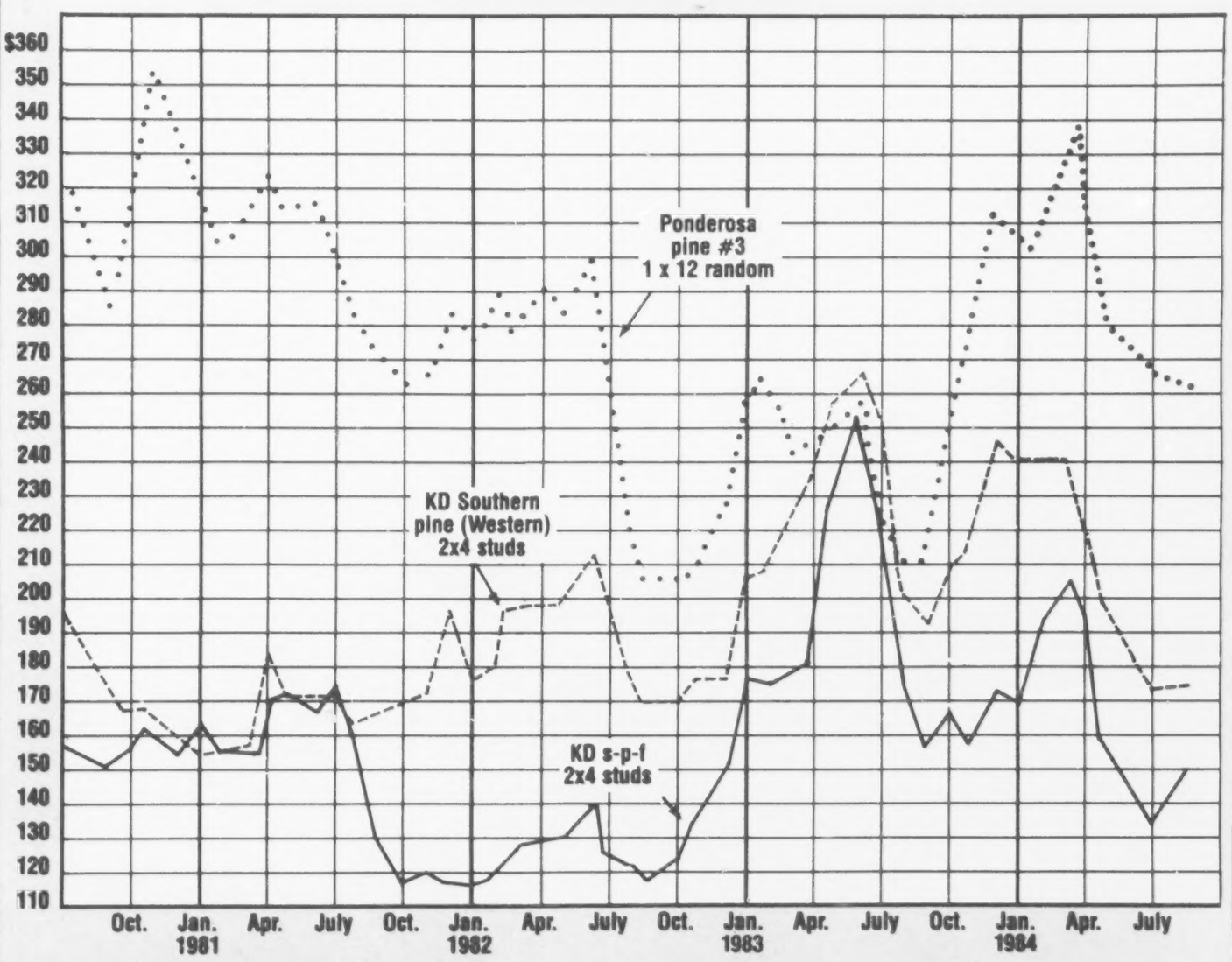
Total Contract Vol. (Through 9/27): 23,735
Total Open Interest (As of 9/27): 7,805 — **Previous Week: 8,045**
Cash Price: $136.22 — **Previous Week: $131.32** — **Year Ago: $156.80**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	251.4	253.6	253.4

CME—Chicago Mercantile Exchange
*Figures for Thursday, Sept. 27.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



August lumber prices were buoyed in the beginning of the month by late July's signal from the Federal Reserve that a tightening of the money supply was not imminent.

By the end of August, however, prices had evened because of heavy production and limited demand at the end of the building season.

Ponderosa No. 3 pine 1 x 12 boards sold for $262 per thousand board feet in August compared with $269 in July. KD Southern pine studs were about even with July at $176 per thousand board feet, while KD s-p-f studs were up to $150 per thousand board feet from $136 in July, which reflects the price surge early that month.

Source: *Random Lengths*

Gee Lumber revamps ads to tout 'better than warehouse' pricing

CHICAGO — Potential customers opening their Sunday newspapers, or picking up their direct mail from the mailbox, have been noticing changes in Gee Lumber's circulars recently.

The characteristic black, white and yellow newsprint tabloids have less cluttered front and back pages now, with fewer items listed than before.

Also, the circulars are based on themes, which are coordinated with Gee Lumber's broadcast advertising, and in the stores' point-of-purchase displays.

The increasing competition in the Chicago marketplace has been cited as one factor behind this streamlining of Gee Lumber's advertising program.

Forest City opened five warehouse stores here this spring and summer, backed by a strong TV, radio and print campaign. Also, Handy Andy has gone onto TV for the first time this year, spending over $300,000 on nonco-op TV advertising in the first six months of 1984. And K mart's first Builders Square units are set to roll out this month.

Faced with expensive ad campaigns such as these, Gee Lumber's president, Jim Gee Jr., decided that some changes were needed in his own campaign.

Shifting emphasis

However, he has kept costs within the old budget by looking to make "qualitative rather than quantitative" changes. "We spend a certain per cent of sales on advertising," he said. "Although our ad budget increases in proportion to sales increasing, we are making more efficient, better quality ads, rather than spending more money."

Yet the growing competition wasn't the only pressure pushing for change in Gee Lumber's ad program. Jim Gee himself had begun to feel dissatisfied with it. "I had begun to feel that our circulars were beginning to get boring," he said. "It was time for a change."

By cutting down on the number of stock keeping units listed in the circulars, and "cleaning up" the front and back page designs, Gee feels the 13-unit chain has more effective circulars.

"We made sure that people still recognize them as Gee Lumber circulars, and not anybody elses," he added, "but they are more eye-catching now."

Besides the graphic design changes, Gee is careful that the products promoted on the front page are clearly different products to what the competition is offering on special.

"We want to be seen as a unique company," he said.

In fact, Gee Lumber may be one of the first home center chains to reject the "we have warehouse prices" bandwagon. The theme of its September circulars was "Don't miss our better than warehouse prices!"

Other themes are planned as well: "We will be running a card game theme with the punch line 'Have we got a deal for you!' quite soon," said Gee. "And others are in the works."

Although Gee Lumber's circulars—some 16 issues are produced each year—are its main advertising vehicle, Gee is now looking more closely at radio and television.

"We've not done much TV, in particular, because local TV broadcasts cover a much broader market area than that which our stores serve," said Gee. "Our units are located in the south, west and southwest, while the northern parts of the city aren't covered by us at all."

Radio, said Gee, has proved to be a much more viable advertising medium for the company, "and we are continuing with that."

However, now that home center market conditions in Chicago are changing, and Gee Lumber is looking to change to the quality and efficiency of its advertising, "who knows what will happen in the future?" said Gee.

Black & Decker is the official supplier of power tools for the Statue of Liberty's restoration project. Company engineers are also providing their expertise in helping to develop restoration techniques and tools to keep Liberty "alive" and standing in New York Harbor.

Black & Decker pitches in to Miss Liberty's face-lift

PHILADELPHIA — Since mid-summer, Black & Decker has been involved with a promotion highlighting the fact it is the official supplier of power tools and accessories to the Statue of Liberty's restoration project.

Also, it is helping develop new restoration techniques and tools for the project.

Further attempts

Although this particular promotion ends on Oct. 31, other publicity drives like it will be used throughout the period of the famous statue's restoration.

Seventy four power equipment models, including professional power drills, right angle grinders and bench grinders, were included in this promotion.

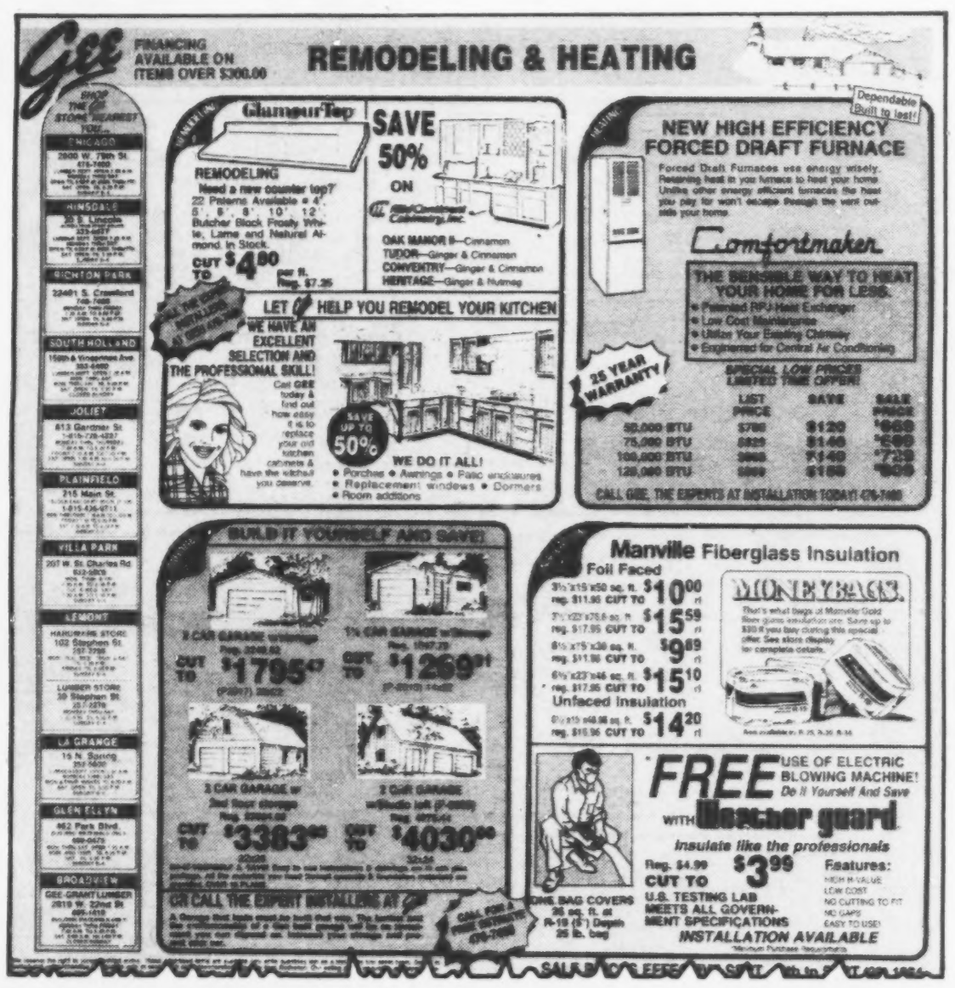
If a customer bought a "qualified" power equipment model, Black & Decker offered to contribute $5 to the restoration fund in the customer's name.

The customer also received a pair of work gloves imprinted with the Statue of Liberty and Black & Decker logos, as well as a certificate acknowledging the contribution.

This publicity drive was backed by a national advertising campaign that included network TV spots during the evening news. It was available to professional, as well as DIY, dealers.

The manufacturer has not decided which power tools to include in next year's spring promotion.

Drills, grinders and wood cutting tools are being used in the restoration of Liberty. In addition, Black & Decker engineers are developing new restoration techniques and tools for Liberty's refurbishment.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Need a new counter top?
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LET HELP YOU REMODEL YOUR KITCHEN
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Insulate like the professionals
Reg. $4.99 CUT TO $3.99
Features:
U.S. TESTING LAB MEETS ALL GOVERNMENT SPECIFICATIONS
INSTALLATION AVAILABLE

Gee Lumber claims that its prices are "better than warehouse," as part of a newly streamlined program, where circulars, broadcast media and point-of-purchase displays are coordinated around a single theme.

Eighteen chains top $300,000 in half year advertising figures

(Continued from page 3)

None of the $14.5 million that the "top 20" home centers spent between January and June 1984, includes co-op dollars. All co-op funded ads are credited to manufacturer ad budgets by the BAR.

West Building Materials had the biggest ad expenditure climb—a 764% increase—in the first half of this year. Although no one at West would comment on the rise, increased centralization coupled with changes in merchandising and advertising strategies (*NHCN*, Aug. 27) are probably behind this expenditure growth.

Home Centers of America's 608% expenditure increase—it has rocketed from $84,000 spent last year to almost $600,000 this year—is partly due to the fact that no Home Centers of America stores existed until May 1983.

By Jan. 1 of this year, the San Antonio-based warehouse chain had five stores, which had increased to nine units by the end of June this year.

Another home center chain that has been repositioning itself in the marketplace in an attempt to gain more DIY customers this year has been 84 Lumber (*NHCN*, May 21). The 374-unit chain's TV ad expenditures rose 287% in the first half of this year, reflecting its first major "drive" into TV advertising.

Another newcomer to the "top 20" list is Chicago-based Handy Andy, a company that did not advertise on TV until this year. Although company president, Ronald Rashkow, would not comment on the ad campaign, or say why Handy Andy has started one now, its entry into the TV ad fray reflects the increasing competition occurring between home centers in the Chicago marketplace.

For instance, Cleveland-based Forest City opened five warehouse stores in the city this year, backed by a strong TV ad campaign. And K mart this month is set to open its first three Builders Square units, which will be operated by Home Centers of America, its new subsidiary.

Although Payless Cashways (not including Furrows or Lumberjack) showed a small decline in TV ad expenditures over the first half of the year, according to the BAR figures, Builders Emporium had the largest drop.

The Irvine, Calif.-based chain had a 44% drop in expenditures from over $1 million last year to $774,400 during the same period this year.

These declines may be due to BAR only monitoring TV stations in one-out-of-four weeks, making it possible that a three-week-or-less TV ad campaign could be missed in some markets.

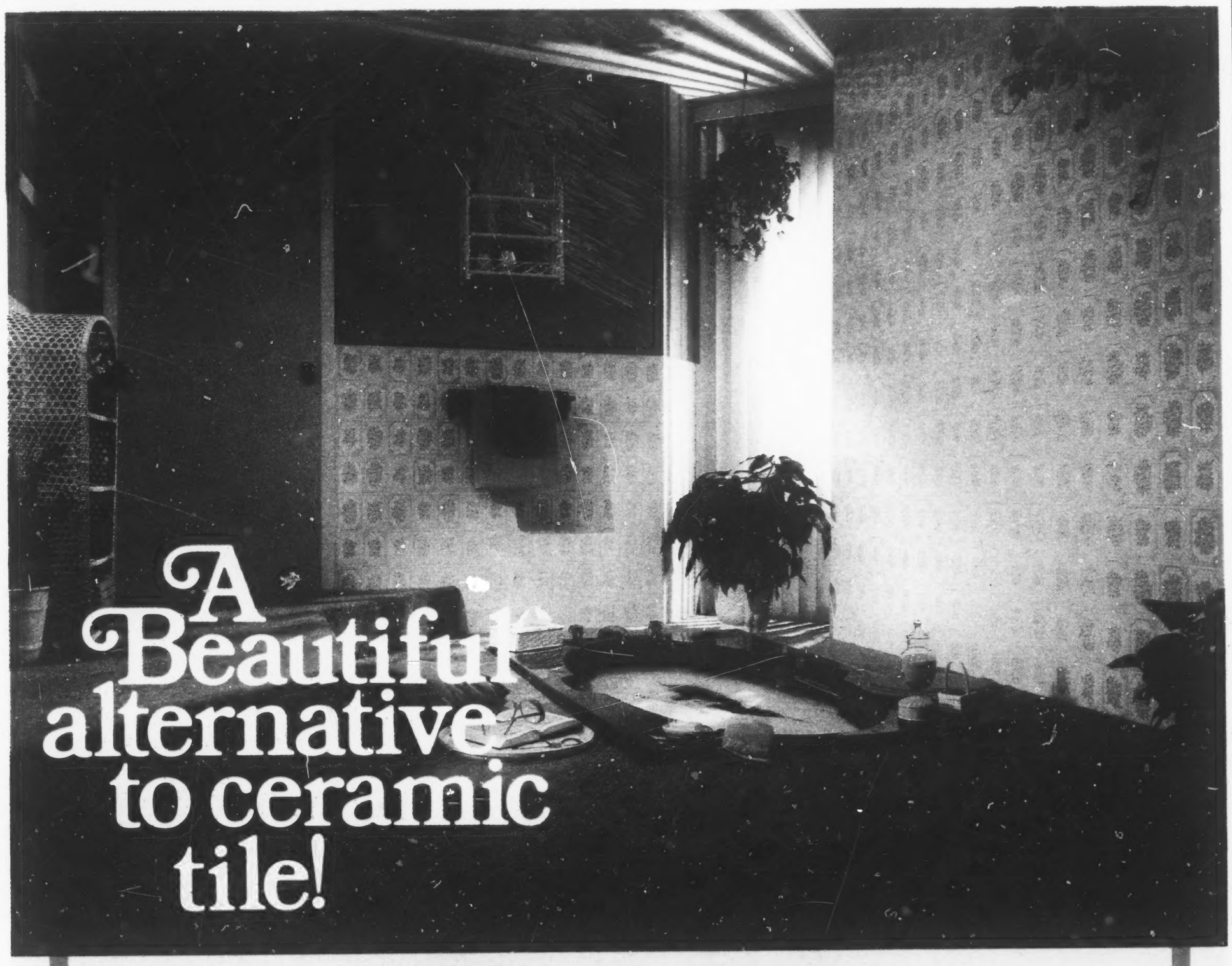
Dale Pond, vice president of marketing at Payless, feels the BAR monitoring method accounts for his company's apparant ad budget decline. "Our TV and print ad expenditures are up considerably this year."

No one at Builders Emporium was available for comment.

Building permits by state: 1st half 1983 vs. 1st half 1984

	Total permits			Single family permits		
	1983	1984	% change	1983	1984	% change
Northeast	73,097	88,505	21.1%	48,427	62,912	29.9%
Connecticut	7,089	8,522	20.2	4,868	6,253	28.5
Maine	1,564	2,763	76.7	1,331	1,598	20.1
Massachusetts	10,575	13,372	26.4	6,993	9,836	40.7
New Hampshire	3,463	4,270	23.3	2,187	3,078	40.7
New Jersey	15,154	18,116	19.5	11,126	14,064	26.4
New York	15,530	20,179	29.9	8,551	11,650	36.2
Pennsylvania	15,795	17,380	10.0	11,339	13,897	22.6
Rhode Island	1,713	1,793	4.7	1,117	1,232	10.3
Vermont	2,214	2,110	– 4.7	915	1,304	42.5
South	426,746	436,618	2.3	228,809	233,180	1.9
Alabama	7,566	8,587	13.5	4,189	4,379	4.5
Arkansas	4,888	5,548	13.5	1,934	2,555	16.6
Delaware	1,678	1,971	17.5	1,165	1,373	17.9
District of Columbia	113	281	148.7	30	41	36.7
Florida	91,149	107,423	17.9	49,674	55,819	12.4
Georgia	36,642	38,814	12.0	21,602	23,729	9.8
Kentucky	4,762	6,175	29.7	2,792	3,070	10.0
Louisiana	17,057	16,750	– 1.8	9,037	8,133	–10.0
Maryland	18,800	17,631	– 6.2	14,402	14,792	2.7
Mississippi	3,909	5,532	41.5	2,304	2,936	27.4
North Carolina	22,586	26,723	18.3	15,995	17,385	8.7
Oklahoma	20,906	14,428	– 31.0	10,518	8,346	–20.7
South Carolina	13,296	18,099	36.1	8,826	10,135	14.8
Tennessee	12,421	19,007	53.0	7,259	7,323	0.8
Texas	146,476	118,330	– 19.2	157,146	50,332	–11.9
Virginia	25,460	30,262	18.9	21,304	22,474	5.5
West Virginia	1,037	1,057	1.9	632	658	4.1
North Central	85,565	100,037	19.7%	56,779	62,639	10.3%
Illinois	12,060	14,957	24.0	8,226	9,833	19.5
Indiana	7,261	10,175	40.1	8,226	9,833	19.5
Iowa	3,101	3,225	4.0	1,782	1,937	8.7
Kansas	6,606	7,474	13.1	4,022	3,754	– 6.7
Michigan	10,261	13,317	29.8	7,300	8,863	21.4
Minnesota	11,517	12,758	10.8	8,087	8,126	0.5
Missouri	8,543	11,088	29.8	6,007	6,435	7.1
Nebraska	2,665	2,809	5.4	2,138	2,032	– 5.0
North Dakota	2,059	1,332	– 35.3	648	641	– 1.1
Ohio	11,278	12,893	14.3	7,679	8,190	6.7
South Dakota	838	1,467	71.5	712	852	19.7
Wisconsin	7,376	8,542	15.8	5,132	5,805	13.1
West	186,811	245,991	31.7	116,795	125,654	7.6
Alaska	6,515	3,644	–44.1	2,983	1,821	–39.0
Arizona	32,945	45,209	37.2	16,015	17,191	7.3
California	76,439	118,996	55.7	49,133	61,902	26.0
Colorado	23,902	24,526	2.6	15,688	13,223	–15.7
Hawaii	2,366	2,859	20.8	1,796	2,161	20.3
Idaho	2,189	2,243	2.5	1,891	1,717	– 9.2
Montana	1,314	1,455	10.7	821	837	1.9
Nevada	8,238	6,897	–16.3	4,812	4,031	–16.2
New Mexico	5,202	9,062	74.2	4,236	4,390	3.6
Oregon	4,744	4,480	– 5.6	3,725	3,622	– 2.8
Utah	6,516	8,807	35.2	4,247	4,247	0.0
Washington	15,030	16,806	11.8	10,439	9,778	– 6.3
Wyoming	1,411	1,007	–28.6	1,009	734	–27.3

Source: Bureau of the Census, compilation by NAHB Economics Division



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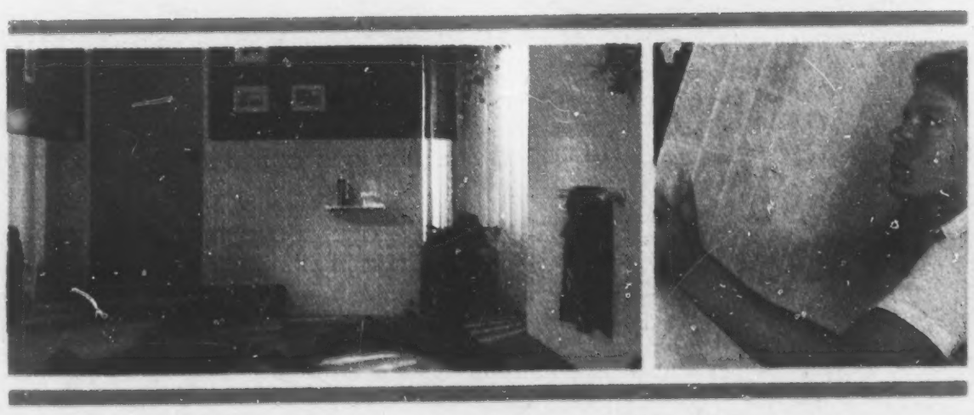

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Residential construction spurs home expansion

WASHINGTON — Economic growth in the United States in the first half of 1984 was helped by strong residential construction. Building permits rose by 13% compared with the same period in 1983.

There were strong regional differences in housing. The West had a 32% gain in building permits whereas the South rose by only 2.3%. There was also great variation within the four census regions. In the South, Florida gained in housing whereas energy states like Oklahoma lost.

These are some of the results of the "Greatest Winners and Losers" (see charts), a listing compiled by the National Assn. of Home Builders.

(Continued on page 54)

Biggest winners total starts
(first six months of 1984)

State	% gain total starts
Dist. of Columbia	148.7
Maine	76.7
New Mexico	74.2
South Dakota	71.5
California	55.7
Tennessee	53.0
Mississippi	41.1
Indiana	40.1
Arizona	37.2
South Carolina	36.1

Source: Census Bureau, NAHB Economics Division

Biggest losers total starts
(first six months of 1984)

State	% loss total starts
Alaska	–44.1
North Dakota	–35.3
Oklahoma	–31.0
Wyoming	–28.6
Texas	–19.2
Nevada	–16.3
Maryland	– 6.2
Oregon	– 5.6
Vermont	– 4.7
Louisiana	– 1.8

Source: Census Bureau, NAHB Economics Division

PRICE POINT SURVEY

Power spray painter

Store and location	Date	Specifications	Advertised price (Reg. price)
Central Hardware, Bridgeton, Mo.	9/17	Heavy duty power spray, Wagner, No. 200	$ 79.99
Furrow Building Materials, Kansas City, Mo.	9/18	Heavy duty power spray, Wagner, No. 200	$ 88.88
Handy City, Nashville	9/23	Heavy duty power spray, Wagner, No. 200	$ 89.88

Source: *NHCN* research

Private label paint

Store and location	Date	Specifications	Advertised price (Reg. price)
Scott's, Linthicum, Md.	9/15	Scott's, interior wall paint, flat, 1 gal.	$ 9.38 ($11.99)
Homecrafters, Birmingham, Ala.	9/18	Homecrafter's interior wall paint, flat, 1 gal.	$ 9.97 ($14.97)
Builderama, Savannah, Ga.	9/11	Builderama Supreme 8, interior wall paint, 1 gal.	$ 9.99 ($14.99)
Stambaughs, Youngstown, Ohio	9/22	Stambaugh's Supreme, latex interior wall paint, flat, 1 gal.	$ 9.99

Wood stain

Store and location	Date	Specifications	Advertised price (Reg. price)
HomeClub, Los Angeles	9/6	Olympic, solid color stain, 1 gal.	$ 9.42
Somerville Lumber, Somerville, Mass.	10/8	Olympic, solid color stain, 1 gal.	$12.39 ($15.39)
Triangle Building Centers, Quakertown, Pa.	9/22	Olympic, solid color stain, 1 gal.	$12.49
Diamond Lumber, Spokane, Wash.	9/15	Olympic, solid color stain, 1 gal.	$12.99

Source: *NHCN* research

Paint roller and tray

Store and location	Date	Specifications	Advertised price (Reg. price)
Moore's, Petersburg, Va.	10/6	9-in. tray	$1.49
Church's Lumber Yards, Detroit	9/26	9-in. tray	$1.77
Channel, Whippany, N.J.	9/9	9-in. tray	$1.97
Central Hardware, Bridgeton, Mo.	10/1	9-in. tray	$1.99

Residential construction spurs home expansion

(Continued from page 52)

Building permits and starts are a barometer of the economic climate. Permits are indicators of future housing construction although not all areas of the United States require builders to buy permits before beginning construction. Therefore, permits can underestimate future housing starts by as much as 10%.

The West, with its migration and new job opportunities saw a sharp increase in housing activity in the first half of 1984. California topped the winners table; building permits were up nearly 56% compared with the previous year. Strong gains were also made by another western state, Arizona, where permit activity increased 37%. The cities of Phoenix and Tucson were very much responsible for the state's rapid housing growth.

The South remains a region of contrasting economic strengths, which is reflected in its varied housing pattern. In Florida, employment has grown by 5% since last June and building permits rose by nearly 18%. West Palm Beach, Orlando and Tampa remain the leading areas of housing activity.

Other areas of the South were losers and Texas and Oklahoma topped the biggest loser charts, down 19%, and 31%, respectively, in building permits. Both states reflect the misfortunes of energy-oriented states in the South. Texas is suffering from overbuilding.

Some of the most interesting changes took place in the Northeast where a strong economy pushed total permit activity to 21% above the 1984 period. Single family housing gained 30% with New York and New Jersey ranked third and fourth in the greatest winners table after California and Florida.

Biggest winners 1-family starts
(first six months of 1984)

State	% gain single family starts
Vermont	42.5
Massachusetts	40.7
New Hampshire	40.7
Dist. of Columbia	36.7
New York	36.2
Connecticut	28.5
Mississippi	27.4
New Jersey	26.4
California	26.0
Pennsylvania	22.6

Source: Census Bureau, NAHB Economics Division

Biggest losers 1-family starts
(first six months of 1984)

State	% loss single family starts
Alaska	–39.0
Wyoming	–27.3
Oklahoma	–20.7
Nevada	–16.2
Colorado	–15.7
Texas	–11.9
Louisiana	–10.0
Idaho	– 9.2
Kansas	– 6.7
Washington	– 6.3

Source: Census Bureau, NAHB Economics Division